



Des Moines Metropolitan Wastewater Reclamation Authority

Financial Report
June 30, 2018

Contents

Independent auditor's report	1-2
Management's discussion and analysis	3-6
Basic financial statements	
Statements of net position	7-8
Statements of revenues, expenses and changes in net position	9
Statements of cash flows	10-11
Notes to basic financial statements	12-25



Independent Auditor's Report

RSM US LLP

To the WRA Board Members
Des Moines Metropolitan
Wastewater Reclamation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), as of and for the years ended June 30, 2018 and 2017, and the related notes to the basic financial statements, which collectively comprise the WRA'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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Des Moines Metropolitan Wastewater Reclamation Authority, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

WRA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which restated beginning net position and other postemployment benefits obligation of the financial statements.

Other Matters

Required Supplementary Information

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

RSM US LLP

Des Moines, Iowa
December 5, 2018

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

The management of the Wastewater Reclamation Authority (WRA) is pleased to offer readers of the WRA's financial statements this narrative overview and analysis of the financial position and activities of the WRA as of and for the fiscal years ended June 30, 2018 and 2017.

Overview of the WRA

A regional treatment plant and conveyance system to nine members of the Integrated Community Area (ICA) was constructed between 1982 and 1994 with a plan of operating through 2005. On July 1, 2004, the Wastewater Reclamation Authority reorganized under a new 28E agreement to be a legal entity that is separate from the member communities and governed by its own Board. This reorganization enabled considerable change in the conveyance system and additions to the treatment plant that allowed the connection of the remaining ICA communities to the regional treatment plant, greater/better treatment at times of over flows, and three new communities to join the WRA. During fiscal year 2014 an updated 28E agreement was adopted that increased capacity at the regional treatment plant, improved interceptors and added a force main and gravity sewer to the conveyance system. This updated 28E agreement extends the WRA to June 30, 2064 and provides planned improvements through 2032.

Participants in the WRA include the cities of Des Moines, West Des Moines, Clive, Altoona, Ankeny, Bondurant, Johnston, Pleasant Hill, Norwalk, Cumming, Waukee and Polk City; the Urbandale Sanitary Sewer District, Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District, Polk County and Warren County in the state of Iowa.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the WRA's basic financial statements. The WRA's basic financial statements comprise three components: 1) basic financial statements, 2) notes to the financial statements and 3) required supplementary information.

Basic financial statements

The basic financial statements are designed to provide readers with a broad overview of the WRA's finances in a manner similar to a private-sector business. The basic financial statements are prepared using the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows, followed by notes to the financial statements and required supplementary information.

The statement of net position presents information on all the WRA's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the WRA is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses and non-operating revenues and expenses of the WRA for the fiscal year which determines the change in net position for the fiscal year.

The statement of cash flows reports cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities, investing activities, and noncash activities.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

The basic financial statements include only the WRA. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the WRA. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial highlights

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources (net position) by \$293,833,403, \$296,904,438, and \$296,286,524 as of June 30, 2018, 2017 and 2016, respectively. At June 30, 2018, 2017, and 2016, the WRA showed \$25,169,377, \$25,170,665 and \$26,331,336, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2018, 2017 and 2016, the WRA's cash provided by operating activities was \$26,117,448, \$25,603,845 and \$26,038,647, respectively.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the WRA is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years. In 2018, the WRA's net position decreased \$3,071,035 from 2017. In 2017, the WRA's net position increased \$617,914 from 2016.

Table 1

	2018	2017	2016
Assets			
Current and other assets	\$ 67,975,916	\$ 65,444,544	\$ 58,897,199
Capital assets	595,574,064	594,856,419	596,632,267
Total assets	663,549,980	660,300,963	655,529,466
Deferred Outflows of Resources			
Deferred charge on refunding	736,032	813,312	892,629
Liabilities			
Current liabilities	21,908,675	20,695,880	16,727,862
Noncurrent liabilities	348,543,934	343,513,957	343,407,709
Total liabilities	370,452,609	364,209,837	360,135,571
Net Position			
Net investment in capital assets	235,327,332	240,037,079	243,640,494
Restricted assets	33,336,694	31,696,694	26,314,694
Unrestricted assets	25,169,377	25,170,665	26,331,336
Total net position	\$ 293,833,403	\$ 296,904,438	\$ 296,286,524

The decrease in net position during the year ended June 30, 2018 is primarily the result of increase in bond interest and issuance expense. The increase in net position during the years ended 2017 and 2016 is primarily the result of cash collected for capital assets and debt servicing.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Highlights of the WRA's revenues and expenses for the years ended June 30, 2018, 2017 and 2016 are presented in Table 2:

	2018	2017	2016
Operating revenues, charges for sales and services	\$ 48,528,870	\$ 46,719,216	\$ 45,410,454
Operating expenses:			
Cost of sales and services	21,597,985	21,444,464	20,800,471
Depreciation	22,104,008	20,305,956	16,947,442
Total operating expenses	43,701,993	41,750,420	37,747,913
Operating income	4,826,877	4,968,796	7,662,541
Nonoperating revenues (expenses):			
Sales tax	2,108,966	3,809,344	5,996,430
Investment earnings	672,747	255,609	386,875
Amortization	245,393	254,046	264,798
Gain (loss) on disposal of capital assets	3,905	(959,745)	215,672
Interest and bond issuance expense	(10,928,923)	(7,710,136)	(6,945,157)
Nonoperating (expense)	(7,897,912)	(4,350,882)	(81,382)
Change in net position	\$ (3,071,035)	\$ 617,914	\$ 7,581,159

Total revenues were \$51,310,583 and total expenses were \$54,381,618 for the year ended June 30, 2018. Total revenues were \$51,038,215 and total expenses were \$50,420,301 for the year ended June 30, 2017. Total revenues were \$51,793,759 and total expenses were \$44,212,600 for the year ended June 30, 2016. The WRA's net operating income was \$4,826,877 for the year ended June 30, 2018, \$4,968,796 for the year ended June 30, 2017 and \$7,662,541 for the year ended June 30, 2016.

The WRA receives contributions from the member communities for debt servicing, capital and operations. The total received from the communities during the years ended June 30, 2018, 2017 and 2016 was \$43,618,378, \$41,567,651 and \$40,300,478, respectively.

Capital assets

Capital assets (net) increased by \$717,645 in 2018, decreased by \$1,775,848 in 2017 and decreased by \$6,766,308 in 2016.

Bond proceeds provided funding for the long-term construction commitments for these purposes: a) to accommodate the anticipated population growth in the metro area, b) to make improvements to the wastewater facility and the conveyance system following the WRA Facility Plan Update – 2012, and 3) to fund WRA's portion of Des Moines' long-term control plan for separation of the combined sewer system.

Concentration on the capital improvements and expansion planned through the year 2032 will allow the WRA to continue its mission of protecting the public health and enhancing the environment by recycling wastewater and being the preferred treatment facility for hauled liquid waste. Please refer to Note 4 for more information on the WRA's capital assets.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Long-term debt

In October 2004, the WRA authorized \$26,850,000 of sewer revenue bonds, Series 2004A and \$66,830,000 on sewer revenue bonds, Series 2004B. The proceeds of the Series 2004A bonds were used to acquire from the City of Des Moines the Wastewater Reclamation Facility (WRF) located at 3000 Vandalia Road, Des Moines, Iowa, and also to acquire all existing WRA sanitary sewer conveyance facilities, and all rights comprised of or used as part of the WRA System. The proceeds of the Series 2004B bonds are to be used for constructing improvements or additions to the WRA System and paying project costs. The Series 2004A was retired in 2012 and the 2004B was partially advance refunded in 2013 and retired in 2014. In December 2006, the WRA authorized \$38,050,000 of sewer revenue bonds, Series 2006 with the proceeds to be used for constructing improvements or additions to the WRA System and paying project costs.

In 2008, the WRA authorized sewer revenue bonds under the Iowa Finance Authority's (IFA) state revolving loan program (SRF). Proceeds of the Series 2008A bonds were used to construct a sewer to connect a member community's sanitary sewer system to the WRF. WRA's active participation in IFA's program serves to finance the necessary improvements to connect more communities under the Facility Plan and to separate combined sewers of the WRA system.

In fiscal year ended June 30, 2018, the WRA authorized \$46,585,000 of debt. In fiscal year ended June 30, 2017, the WRA authorized \$41,804,000 of debt. In fiscal year ended June 30, 2016, the WRA authorized \$10,820,000 of debt. The proceeds were used to fund construction improvement projects and additions to the WRA System.

In May 2013, the WRA issued \$56,420,000 of sewer revenue refunding bonds, Series 2013B to partially advance refund \$57,450,000 of the outstanding Sewer Revenue Bonds, Series 2004B.

In May 2015, WRA issued \$32,020,000 Series 2015E bonds to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position.

Revenue bonds payable increased by \$5,672,785 in 2018, increased by \$2,801,613 in 2017 and decreased by \$1,113,864 in 2016. Please refer to Note 5 for more information on the WRA's long-term debt.

Economic factors

Investment earnings were \$672,747, \$255,609, and \$386,875 for the years ended June 30, 2018, 2017 and 2016, respectively. Users of the WRA Facility consist of the regional communities including waste haulers and industries based in those communities. The WRA will not impose sewer rates and charges. The communities will continue to provide revenue to the WRA.

Request for information

These financial statements and discussions are designed to provide interested user a complete disclosure of the WRA's finances. If you have questions about this report contact Robert Fagan, 400 E. Court Avenue, Des Moines, Iowa 50309.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 18,246,521	\$ 20,920,709
Accounts receivable, net	1,247,550	1,086,078
Interest receivable	70,699	44,597
Due from other governmental units	7,910,506	4,856,032
Prepaid expenses	740,640	417,128
Unrestricted current assets	28,215,916	27,324,544
Restricted current assets:		
Cash and pooled cash investments	2,535,189	1,680,206
Investments	18,035,011	18,656,862
Restricted current assets	20,570,200	20,337,068
Total current assets	48,786,116	47,661,612
Noncurrent assets:		
Restricted noncurrent assets:		
Cash and pooled cash	5,025,305	5,091,210
Investments	14,164,495	12,691,722
Capital assets:		
Land	9,218,391	9,218,391
Construction in progress	37,728,424	19,495,491
Plant	320,565,691	320,351,883
Sewer system	381,899,876	379,538,739
Machinery and equipment	80,164,591	79,382,974
	829,576,973	807,987,478
Less accumulated depreciation	234,002,909	213,131,059
Capital assets, net	595,574,064	594,856,419
Total noncurrent assets	614,763,864	612,639,351
Total assets	663,549,980	660,300,963
Deferred Outflows of Resources , deferred charge on refunding	736,032	813,312

See notes to financial statements.

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable	\$ 735,658	\$ 909,366
Accrued wages payable	408,082	397,779
Accrued employee benefits	603,819	685,696
Contracts payable	6,039,018	4,849,514
Revenue bonds payable	13,268,540	13,008,760
Accrued interest payable	853,558	844,765
Total current liabilities	21,908,675	20,695,880
Noncurrent liabilities:		
Accrued employee benefits	829,710	890,065
Revenue bonds payable	344,653,724	339,240,719
Unamortized bond premium	3,060,500	3,383,173
Total noncurrent liabilities	348,543,934	343,513,957
Total liabilities	370,452,609	364,209,837
Net Position		
Net investment in capital assets	235,327,332	240,037,079
Restricted:		
Debt service	22,542,265	22,159,130
Capital projects	10,794,429	9,537,564
Unrestricted	25,169,377	25,170,665
Total net position	\$ 293,833,403	\$ 296,904,438

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017**

	2018	2017
Operating revenues, charges for sales and services	\$ 48,528,870	\$ 46,719,216
Operating expenses:		
Salary and personal services	10,182,773	10,197,431
Contractual services	9,565,616	8,820,422
Commodities	1,849,596	2,426,611
Depreciation	22,104,008	20,305,956
Total operating expenses	43,701,993	41,750,420
Operating income	4,826,877	4,968,796
Nonoperating revenues (expenses):		
Sales tax	2,108,966	3,809,344
Investment earnings	672,747	255,609
Amortization of bond premium and deferred charge on refunding	245,393	254,046
Gain (loss) on disposal of capital assets	3,905	(959,745)
Interest and bond issuance expense	(10,928,923)	(7,710,136)
Total nonoperating (expenses)	(7,897,912)	(4,350,882)
Change in net position	(3,071,035)	617,914
Net position, beginning of year, as restated	296,904,438	296,286,524
Net position, end of year	\$ 293,833,403	\$ 296,904,438

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from users	\$ 48,344,582	\$ 46,463,201
Payments to employees	(10,314,702)	(9,889,681)
Payments to suppliers	(11,912,432)	(10,969,675)
Net cash provided by operating activities	26,117,448	25,603,845
Cash flows from investing activities:		
Investment earnings	795,791	399,074
Purchase of investments	(13,214,410)	(24,595,508)
Sales of investments	12,214,342	14,106,253
Net cash used in investing activities	(204,277)	(10,090,181)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(21,632,149)	(14,530,661)
Receipts from sale of capital assets	3,905	41,750
Receipts from SRF drawdowns	16,629,941	13,586,575
Sales tax payments received	2,108,966	5,508,373
Principal payments on revenue bonds	(13,988,814)	(13,096,511)
Interest payments on revenue bonds	(10,755,100)	(10,793,730)
Payment of bond issuance costs	(165,030)	(158,495)
Net cash used in capital and related financing activities	(27,798,281)	(19,442,699)
Decrease in cash and pooled cash	(1,885,110)	(3,929,035)
Cash and pooled cash, beginning of year	27,692,125	31,621,160
Cash and pooled cash, end of year	\$ 25,807,015	\$ 27,692,125

(Continued)

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017**

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,826,877	\$ 4,952,516
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,104,008	20,305,956
(Increase) decrease in accounts receivable	(161,472)	(251,674)
(Increase) decrease in due from other governmental units	(22,816)	(4,342)
(Increase) decrease in prepaid expenses	(323,512)	17,945
Increase (decrease) in accounts payable and due to other governments	(173,708)	275,693
Increase in accrued wages payable	10,303	28,200
Increase (decrease) in accrued employee benefits	(142,232)	279,551
Net cash provided by operating activities	\$ 26,117,448	\$ 25,603,845
Noncash investing activities, net depreciation in fair value of investments	\$ (63,095)	\$ (166,828)
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	\$ 6,039,018	\$ 4,849,514
Amounts in due from other governmental units for SRF draws	\$ 7,712,769	\$ 4,681,111
Amounts of interest expense capitalized to new assets	\$ -	\$ 3,248,125

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters

General: The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) is a separate legal entity with its own Board. A joint venture was formed in 1979 in accordance with the provisions of Chapter 28E of the Code of Iowa. The WRA has been established for the purposes of planning, constructing, operating and managing regional sanitary sewer facilities. On July 1, 2004, a 28E agreement was adopted which amended and restated the previous agreement, created a separate entity, and set forth provisions to carry the WRA beyond 2005 to June 30, 2054. Three communities have joined the WRA since 2004. Supplements to the WRA agreement admitted the City of Cumming effective July 1, 2006; the City of Waukee effective July 1, 2007; and the City of Polk City effective July 1, 2010.

In 2014, an updated 28E agreement was adopted: the second amended and restated WRA Agreement became effective on June 11, 2014. It extends the WRA to June 30, 2064. The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, Polk City, Waukee and West Des Moines; Urbandale Sanitary Sewer District; Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District; the Iowa counties of Polk County and Warren County, (collectively referred to as the "participating communities"). Each participating community has one representative on the Board and additional representatives for each 25,000 population.

On July 1, 2004, the City of Des Moines, Iowa (Des Moines) was designated the "operating contractor". As operating contractor Des Moines operates, maintains and manages the Wastewater Reclamation Facility and the WRA System. The employees assigned to WRA are Des Moines employees. The 20-year contract between WRA and Des Moines terminates June 30, 2024.

The first amended and restated 28E agreement set forth a schedule to fund sewer improvements and construction through 2020 that would connect all participating communities except the three communities joining the WRA since 2004 to the WRA Facility at 3000 Vandalia Road and provided funding of plant improvements. Conveyance improvements included a diversion facility west of Norwalk for storage during high flow events and a separation facility west of the main WRA Facility for treatment during high flow events with a new main outfall to bring combined flows to this facility. The improvements were detailed in the WRA Facility Plan Update-2004.

Additionally, the second amended and restated 28E agreement sets forth a schedule through 2032 that allows additional flows from North to the WRA Facility by construction of an Eastside interceptor and improvements at the existing Westside interceptor. Improvements at the main WRA Facility are planned to meet new and continuing requirements of the operating permit and to increase plant capacity. These improvements are detailed in the WRA Facility Plan Update-2012. The second amended and restated 28E agreement revised the borrowing capacity of the WRA and allows all bonds authorized and issued by the Board to be scheduled to mature so that the aggregate principal amount of all revenue bonds payable on June 30 of each year does not exceed \$675 million.

Reporting entity: Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The WRA is considered to be a primary government and there are no other organizations, agencies, boards, commissions or authorities which are required to be included in the financial reporting entity of the WRA.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Basis of presentation: These financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The economic resources measurement focus and the accrual basis of accounting are used by WRA. Under this basis of accounting, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of WRA are included on the statement of net position. Revenues are recorded when earned which is when the service is provided and expenses are recorded at the time liabilities are incurred. Annually, WRA charges the participating communities for operations including maintenance and debt service in accordance with the 28E agreement, primarily based on budgeted wastewater reclamation facility flows. Sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of WRA such as charges to participating communities. Operating revenue received from the major participating communities for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
City of Des Moines	35%	34%
City of West Des Moines	13	14
City of Ankeny	14	14

Nonoperating revenues result from nonexchange transactions such as investment earnings and sales tax. Expenses associated with operating WRA and providing services are considered operating.

Cash and pooled cash: WRA maintains deposits with Des Moines as the operating contractor, which invests these deposits on a short-term basis. Des Moines allocates investment income to WRA based upon Des Moines' rate of return on pooled cash and investments and WRA's average monthly deposits balance.

Investments: Des Moines purchases investments on behalf of WRA. The investments consist of U.S. Government Agency Securities and are valued at fair value as defined in Note 3.

Accounts receivable: WRA accrues unbilled revenues from commercial customers for industrial pretreatment services and from Fat, Oil, Grease (FOG) inspection fees based upon services rendered between the last billing date in the current year and year-end. The balance for unbilled revenues was \$716,027 and \$808,357 at June 30, 2018 and 2017, respectively. An allowance account was established for uncollectible FOG inspection fees with annual increases computed as 10 percent of each year's fees. The balance in the allowance for doubtful accounts was approximately \$71,450 and \$79,700 at June 30, 2018 and 2017, respectively. \$(6,750) and \$(3,000) was (recovered)/written off during the years ended June 30, 2018 and 2017, respectively.

Due from other governments: WRA accrues draws submitted under the state revolving loan program based upon service dates of the contract work performed. As of June 30, 2018 and 2017, the amount due from Iowa Finance Authority (SRF Program) was \$7,712,769 and \$4,681,111, respectively. WRA also accrues any unpaid balances from participating communities at year-end and sales tax revenues owed by the State of Iowa. As of June 30, 2018 and 2017, there was no amount due from the State of Iowa for flood mitigation sales tax.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Prepays: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Restricted assets: Restricted assets represent \$28,965,571 and \$28,582,436 of required reserve funds as established by the debt agreement and \$10,794,429 and \$9,537,564 of unspent sales tax funds restricted for future capital projects for the years ended June 30, 2018 and 2017, respectively.

Capital assets: Land, plant, machinery and equipment, and sewer systems are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of 3-50 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The cost of renewals and material improvements that extend asset lives in excess of \$5,000 are capitalized. The cost and accumulated depreciation of assets disposed are deleted, with any gain or loss recorded in current operations.

As a result of the adoption of GASB Statement No. 89, *Accounting for interest Cost Incurred Before the End of a Construction Period* no interest costs were capitalized in the current year. Interest cost associated with self-constructed assets were capitalized, prior to the adoption of the Statement, when significant to WRA. For fiscal years 2018 and 2017, \$0 and \$3,248,125 of interest costs were capitalized.

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. WRA has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and adjusted for any deferred charges on refundings. Net investment in capital assets excludes unspent bond proceeds. There were no unspent bond proceeds as of June 30, 2018 or 2017. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of unspent sales tax funds restricted for future capital projects totaling \$10,794,429 and \$9,537,564 as of June 30, 2018 and 2017, respectively. WRA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Reclassification: The City reclassified certain items in the accompanying basic financial statements for the prior year to conform to the current-year presentation. These reclassifications had no effect on previously reported change in net position or net position.

Use of estimates: The preparation of the 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, deferred outflows of resources and liabilities in the financial statements and accompanying notes. Actual results may differ from those estimates.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Compensated absences and deferred compensation plan: Employees assigned to WRA are employees of Des Moines, the Operating Contractor. Wages and benefits are paid by WRA as a direct allocation. Employee benefits are provided under the policies of Des Moines. Under these policies, employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. If paid upon death or retirement, the total accumulated hours are paid at one-half of the then effective hourly rate for that employee, with a maximum of 750 hours per employee. These accumulations are recorded as expenses and accrued employee benefits in the fiscal year earned.

Employees working for WRA also participate in Des Moines' deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457 and also Section 401(a). The Section 457 plan, available to all WRA employees, and the Section 401(a) plan, available only to the SPM employment group, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination, retirement, death, unforeseeable emergency, loan or via in-service contributions at age 70½. The WRA matches 100 percent of employee contributions up to 2.0 percent or 2.5 percent of the employee's salary, depending upon the governing employment agreement. Under the terms of the plan, WRA makes contributions to the plan equal to the employees' contributions; up to 4.5 percent for the employees referred to as supervisory, professional, and management (SPM); up to 2.5 percent for the employees of the Central Iowa Public Employee's Council (CIPEC); and up to 2 percent for the employees of the Municipal Employee's Association (MEA). In 2018 and 2017, WRA contributed approximately \$162,700 and \$150,800, respectively, to the plan.

Long-term obligations: Long-term debt is recorded as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed at the time of bond issuance.

Note 2. Related Party Transactions

WRA shares certain expenses with Des Moines in accordance with the provisions of the WRA Operating Contract. WRA incurred wages and employee benefit costs in 2018 and 2017 of approximately \$10,182,700 and \$10,197,400, respectively, for employees working for WRA. During the years ended June 30, 2018 and 2017, WRA paid allocations of approximately \$1,646,000 (22 percent) and \$1,406,500 (23 percent), respectively, to Des Moines for shared expenses relating to pumping stations maintenance.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments

As of June 30, 2018 and 2017, WRA had the following investments and maturities:

Security Description	2018			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FHLB	\$ 8,922,043	\$ 8,922,043	\$ -	\$ -
Federal farm credit	6,956,470	2,991,270	3,965,200	-
FNMA	6,234,103	1,983,400	4,250,703	-
FHLMC	10,086,890	-	10,086,890	-
Grand total	<u>\$ 32,199,506</u>	<u>\$ 13,896,713</u>	<u>\$ 18,302,793</u>	<u>\$ -</u>

Security Description	2017			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FHLB	\$ 11,943,094	\$ 2,961,643	\$ 8,981,451	\$ -
Federal farm credit	11,231,368	6,243,688	4,987,680	-
FNMA	1,986,660	-	1,986,660	-
FHLMC	6,187,462	2,993,040	2,198,592	995,830
Grand total	<u>\$ 31,348,584</u>	<u>\$ 12,198,371</u>	<u>\$ 18,154,383</u>	<u>\$ 995,830</u>

Authorized investments: WRA appointed the City Treasurer of Des Moines as the WRA Treasurer. The investment policy of WRA directs the funds to be invested in the same manner as Des Moines Funds are invested under the Des Moines investment policy. WRA is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Des Moines and the Treasurer of the State of Iowa; prime eligible bankers acceptances; commercial paper rated P-1 by Moody's Commercial Paper Record and A-1 by Standard & Poor's Corporation with a maturity of 270 days; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage districts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity the fair value is to changes in market interest rates. In accordance with WRA's investment policy, WRA minimizes the interest rate risk of investments in the portfolio by structuring its investment portfolio so that investments mature to meet cash requirements for operations. The WRA investment policy defines operating funds as those funds that can be reasonably expended during a current budget year or within 15 months of receipt. Operating funds are limited to a maturity of 397 days. Non-operating funds are to be invested to coincide with the expected use of the funds. WRA's investment policy requires that nonoperating funds not exceed a five year maturity.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2018, WRA's investments were rated as follows:

Security Description	Moody's	Standard & Poor's
Federal Farm Credit	Aaa	AA+
FHLB	Aaa	AA+
FNMA	Aaa	AA+
FHLMC	Aaa	AA+

Concentration of credit risk: The WRA's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the WRA to meet all anticipated cash requirements. The policy limits investments in order to avoid over-concentration in securities of a specific issuer. No more than 10 percent of the investment portfolio may be invested in commercial paper and no more than 50 percent of the investment portfolio is invested in securities of a single issuer. As of June 30, 2018, WRA had invested 28 percent in FHLB, 31 percent in FHLMC, 19 percent in FNMA and 22 percent Federal Farm Credit securities. As of June 30, 2017, WRA had invested 38 percent in FHLB, 20 percent in FHLMC, 6 percent in FNMA and 36 percent Federal Farm Credit securities.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2018 and 2017, WRA's deposits with financial institutions were entirely covered by the federal depository insurance or collateralized by the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa.

As of June 30, 2018 and 2017, WRA's investments are unregistered and uninsured and held by the counterparty's trust department or their agent in the name of WRA.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Fair value: Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* provides guidance for determining a fair value measurement for financial reporting purposes.

The WRA uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The WRA has the following recurring fair value measurements as of June 30, 2018:

Security Description	2018			
	Fair Value	Level 1	Level 2	Level 3
FHLB	\$ 8,922,043	\$ -	\$ 8,922,043	\$ -
Federal farm credit	6,956,470	-	6,956,470	-
FNMA	6,234,103	-	6,234,103	-
FHLMC	10,086,890	-	10,086,890	-
Grand total	<u>\$ 32,199,506</u>	<u>\$ -</u>	<u>\$ 32,199,506</u>	<u>\$ -</u>

Security Description	2017			
	Fair Value	Level 1	Level 2	Level 3
FHLB	\$ 11,943,094	\$ -	\$ 11,943,094	\$ -
Federal farm credit	11,231,368	-	11,231,368	-
FNMA	1,986,660	-	1,986,660	-
FHLMC	6,187,462	-	6,187,462	-
Grand total	<u>\$ 31,348,584</u>	<u>\$ -</u>	<u>\$ 31,348,584</u>	<u>\$ -</u>

The WRA level two investments are valued using inputs that are either directly or indirectly observable as of the reporting date and fair value can be determined through the use of models or other valuation methodologies. The WRA has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of GASB Statement No. 72.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 4. Capital Assets

The following tables show the changes in capital assets for the years ended June 30, 2018 and 2017:

	2018			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ -	\$ 9,218,391
Construction in progress	19,495,491	22,630,047	(4,397,114)	37,728,424
	<u>28,713,882</u>	<u>22,630,047</u>	<u>(4,397,114)</u>	<u>46,946,815</u>
Depreciable capital assets:				
Plant	320,351,883	213,808	-	320,565,691
Sewer system	379,538,739	2,361,137	-	381,899,876
Machinery and equipment	79,382,974	2,013,775	(1,232,158)	80,164,591
	<u>779,273,596</u>	<u>4,588,720</u>	<u>(1,232,158)</u>	<u>782,630,158</u>
Less accumulated depreciation:				
Plant	(110,100,602)	(9,414,573)	-	(119,515,175)
Sewer system	(69,130,842)	(7,768,542)	-	(76,899,384)
Machinery and equipment	(33,899,615)	(4,920,893)	1,232,158	(37,588,350)
	<u>(213,131,059)</u>	<u>(22,104,008)</u>	<u>1,232,158</u>	<u>(234,002,909)</u>
Net capital assets	<u>\$ 594,856,419</u>	<u>\$ 5,114,759</u>	<u>\$ (4,397,114)</u>	<u>\$ 595,574,064</u>
	2017			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,196,291	\$ 22,100	\$ -	\$ 9,218,391
Construction in progress	128,310,300	18,281,839	(127,096,648)	19,495,491
	<u>137,506,591</u>	<u>18,303,939</u>	<u>(127,096,648)</u>	<u>28,713,882</u>
Depreciable capital assets:				
Plant	270,096,287	50,255,596	-	320,351,883
Sewer system	317,729,520	61,809,219	-	379,538,739
Machinery and equipment	65,648,311	16,259,497	(2,524,834)	79,382,974
	<u>653,474,118</u>	<u>128,324,312</u>	<u>(2,524,834)</u>	<u>779,273,596</u>
Less accumulated depreciation:				
Plant	(101,465,077)	(8,635,525)	-	(110,100,602)
Sewer system	(62,007,174)	(7,123,668)	-	(69,130,842)
Machinery and equipment	(30,876,191)	(4,546,763)	1,523,339	(33,899,615)
	<u>(194,348,442)</u>	<u>(20,305,956)</u>	<u>1,523,339</u>	<u>(213,131,059)</u>
Net capital assets	<u>\$ 596,632,267</u>	<u>\$ 126,322,295</u>	<u>\$ (128,098,143)</u>	<u>\$ 594,856,419</u>

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds

The following tables show the changes in long-term debt and employee benefits for the years ended June 30, 2018 and 2017:

	2018				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
SRF loans	\$ 443,000	\$ -	\$ (443,000)	\$ -	\$ -
Series 2013B	50,590,000	-	(1,860,000)	48,730,000	1,925,000
Series 2015E	30,790,000	-	(1,125,000)	29,665,000	1,185,000
New SRF loans	267,559,115	16,951,472	(8,342,000)	276,168,587	9,420,000
Subordinate SRF	2,867,364	2,710,127	(2,218,814)	3,358,677	738,540
Add premiums	3,383,173	-	(322,673)	3,060,500	-
Total revenue bonds, net	355,632,652	19,661,599	(14,311,487)	360,982,764	13,268,540
Accrued employee benefits	1,575,760	712,500	(854,731)	1,433,529	603,819
Total	<u>\$ 357,208,412</u>	<u>\$ 20,374,099</u>	<u>\$ (15,166,218)</u>	<u>\$ 362,416,293</u>	<u>\$ 13,872,359</u>

	2017				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds					
SRF loans	\$ 868,000	\$ -	\$ (425,000)	\$ 443,000	\$ 443,000
Series 2013B	52,405,000	-	(1,815,000)	50,590,000	1,860,000
Series 2015E	31,865,000	-	(1,075,000)	30,790,000	1,125,000
New SRF loans	261,693,839	13,967,763	(8,102,487)	267,559,115	8,342,000
Subordinate SRF	3,336,027	1,210,361	(1,679,024)	2,867,364	1,238,760
Add premiums	3,716,536	-	(333,363)	3,383,173	-
Total revenue bonds, net	353,884,402	15,178,124	(13,429,874)	355,632,652	13,008,760
Accrued employee benefits	1,312,490	1,010,100	(746,830)	1,575,760	685,696
Total	<u>\$ 355,196,892</u>	<u>\$ 16,188,224</u>	<u>\$ (14,176,704)</u>	<u>\$ 357,208,412</u>	<u>\$ 13,694,456</u>

Revenue bonds: All senior revenue bonds require principal and interest payments annually each June 1st based on amortization schedules approved by the WRA Board when debt is authorized. Subordinate debt has no principal payment scheduled until it is refunded by issuing senior debt for the same construction project. Management estimates the due within one year based on the subordinate debt that will be refunded to senior debt in the next fiscal year. Principal payments for bonds in the SRF program begin after construction is completed and the project is accepted by the WRA Board.

In May 2013, WRA issued \$56,420,000 Series 2013B bonds with interest rates ranging from 2 percent to 4 percent to partially advance refund \$57,450,000 of the outstanding Sewer Revenue Bonds, Series 2004B.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

In May 2015, WRA issued \$32,020,000 Series 2015E bonds with interest rates ranging from 2.25 percent to 5 percent to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position. At June 30, 2018, \$29,460,000 of defeased bonds remain outstanding.

In February 2008, WRA issued bonds under the Iowa Finance Authority state revolving loan program (SRF) to finance various construction projects. Each bond series under the state revolving loan program is issued for specific projects with repayments scheduled over the life of the asset or up to thirty years. WRA draws the proceeds as needed for the projects with principal payments on the bonds beginning after completion of the construction.

Bonds issued during the years ended June 30, 2018 and June 30, 2017 totaled \$16,951,472 and \$13,967,763, respectively. During fiscal years 2018 and 2017, WRA also issued \$2,710,127 and \$1,210,361, respectively, subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2018 and 2017, respectively. The interim loan and disbursement agreement with Iowa Finance Authority for the subordinate bonds state these are noninterest bearing until they are refunded into a permanent loan.

The state revolving loans require WRA to produce and maintain net revenues at a level not less than 100 percent of the amount of principal and interest on the revenue bonds. In addition, the revenue bonds require that monies be deposited into various restricted reserve accounts and that these deposits be used only for the payment of principal and interest on the related bonds when due or for other purposes as set forth in the bond agreement. The deposits in these restricted reserve accounts total \$28,965,571 and \$28,590,374 as of June 30, 2018 and 2017, respectively.

Included within the SRF loans are \$2,000,000 Series 2010 C1 bonds, which are Build America Bonds, issued in June 2010. The WRA has elected to receive future payments from the federal government to offset the 3 percent interest. The payments are equal to 35 percent of the interest paid; the net interest rate is 1.95 percent.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The following tables show the detail of revenue bonds payable.

2018						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2018
SRF 7	12/1/2004	*	6/1/2018	3	N/A	*
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	3	\$ 16,520,000	\$ 13,272,000
2008 B	6/4/2008	6,575,000	6/1/2039	3	6,575,000	5,280,000
2008 D	6/4/2008	2,650,000	6/1/2038	3	2,332,000	2,050,000
2009 B	3/18/2009	8,400,000	6/1/2039	3	8,400,000	6,797,000
2009 C	7/5/2009	9,200,000	6/1/2039	3	9,200,000	7,443,000
2010 A	5/12/2010	8,500,000	6/1/2040	3	8,500,000	7,103,000
2010 B	5/12/2010	7,000,000	6/1/2040	3	7,000,000	5,849,000
2010 C1	6/30/2010	2,000,000	6/1/2032	3	2,000,000	1,994,000
2010 C2	6/30/2010	21,500,000	6/1/2032	3	21,384,582	15,840,583
2011 A	5/25/2011	60,000,000	6/1/2042	3	60,000,000	53,192,000
2011 B	3/23/2011	16,000,000	6/1/2041	3	15,890,000	13,674,000
2011 C	5/25/2011	9,600,000	6/1/2041	3	9,600,000	8,270,000
2011 D	12/21/2011	15,470,000	6/1/2043	2.39	15,414,861	13,956,861
2012 B	5/16/2012	2,772,000	6/1/2042	3	2,772,000	2,456,000
2012 C	5/16/2012	18,000,000	6/1/2043	3	18,000,000	16,392,000
2012 D	5/16/2012	7,000,000	6/1/2042	3	7,000,000	6,204,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,473	11,053,473
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,295,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.02	24,200,000	22,366,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	7,052,000
2013 B	5/2/2013	56,420,000	6/1/2034	2 to 4	N/A	48,730,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,495,000
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	4,061,880
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	5,195,000
2015A	1/30/2015	10,080,000	6/1/2035	0.75	9,186,787	7,974,300
2015B	1/30/2015	370,000	6/1/2034	1.75	370,000	302,000
2015C	1/30/2015	1,744,000	6/1/2035	0.75	1,744,000	1,521,000
2015D	1/30/2015	3,000,000	1/30/2018	0	2,917,782	-
2015E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	29,665,000
2016A	2/5/2016	8,000,000	6/1/2035	1.75	7,547,580	6,443,580
2016B	4/1/2016	1,000,000	4/1/2019	0	980,053	-
2016C	4/1/2016	750,000	4/1/2019	0	738,540	738,540
2016D	10/28/2016	220,000	10/28/2019	0	216,840	216,840
2016E	12/16/2016	660,000	6/1/2036	1.75	630,904	551,904
2016F	12/16/2016	40,000,000	6/1/2048	2.75	21,584,799	21,584,799
2017A	12/15/2017	38,000,000	6/1/2049	2.75	3,955,046	3,955,046
2017B	12/15/2017	1,600,000	12/15/2020	0	336,003	336,003
2018A	5/18/2018	4,200,000	6/1/2040	1.75	1,544,160	1,544,160
2018B	6/29/2018	585,000	6/29/2021	0	170,525	170,525
2018C	6/29/2018	2,200,000	6/29/2021	0	1,896,770	1,896,770
Balance due						357,922,264
Amount due within one year						13,268,540
Long-term revenue bonds payable						<u><u>\$ 344,653,724</u></u>

* Series SRF 7 was assumed from the City of Des Moines.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The outstanding revenue bonds mature as follows:

Fiscal year:	Principal	Interest
2019	\$ 13,268,540	\$ 10,465,694
2020	13,894,840	10,130,049
2021	16,911,698	9,782,849
2022	14,928,600	9,419,984
2023	15,396,400	9,048,072
2024–2028	81,404,646	39,287,783
2029–2033	90,313,343	28,330,306
2034–2038	68,009,864	15,476,785
2039–2043	42,836,999	5,875,310
2044–2045	957,334	482,375
	<u>\$ 357,922,264</u>	<u>\$ 138,299,207</u>

Note 6. Commitments and Contingencies

Construction contracts: WRA has signed construction contracts with remaining commitments of approximately \$80,667,000 as of June 30, 2018. Commitments on construction projects are funded primarily by state revolving loan program funds.

Litigation: WRA is subject to litigation in the normal course of operations. Management does not expect a material adverse outcome as a result of these actions.

Note 7. Risk Management

The WRA system is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disasters. WRA carries commercial insurance for general liability claims. Settled claims did not exceed commercial coverage in the past three years.

Des Moines is self-insured for medical benefits. WRA makes monthly contributions to Des Moines' Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims, or incurred but not reported claims, are a liability of Des Moines' Insurance Fund.

Note 8. Retirement System

As a direct allocation from Des Moines, WRA contributes the current required contributions as stated in the operating contractor agreement for the employees working for WRA related to the Iowa Public Employees' Retirement System (IPERS). IPERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members for the years ended June 30, 2018 and 2017 were required to contribute 5.95 percent of their annual covered salary and Des Moines was required to contribute 8.93 percent of annual payroll for the years ended June 30, 2018 and 2017. Contribution requirements are established by State statute.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits

As a result of the adoption of GASB Statement No. 75, the beginning net position of WRA was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed. The effect on the beginning net position is as follows:

	2018	2017
Net position July 1, as previously reported	\$ 296,526,790	295,925,156
Removal of net OPEB obligation	377,648	361,368
Net position July 1, as restated	<u>\$ 296,904,438</u>	<u>\$ 296,286,524</u>

As a direct allocation from Des Moines, WRA contributes the current required contributions as stated in the operating contractor agreement for the employees working for WRA related to Des Moines multi-employer health care plan that provides medical, prescription drugs and dental benefits to all active and retired employees and their eligible dependents including employees working for WRA. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits. Eligible retirees and their dependents receive medical and prescription coverage through a fully-insured plan with Wellmark BCBS and dental benefits through a self-insured plan. These are the same plans that are available for active employees.

Contributions are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group is 62. Retiree expenses are then offset by monthly contributions.

Des Moines establishes and amends contribution requirements, which currently is to pay health claims as they occur.

The WRA's direct allocation of the contribution based on pay as you go financing to the other postemployment benefits plan for the years ended June 30, 2018, 2017, and 2016 were approximately \$652,700, \$624,200 and \$612,000, respectively, equal to the required contributions for each year.

Note 10. New Pronouncements

As of June 30, 2018, the GASB has issued several statements not yet implemented by WRA. The statements which may impact WRA are as follows:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the WRA beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 10. New Pronouncements (Continued)

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the WRA beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the WRA must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, issued March 2018, will be effective for the Authority beginning with its fiscal year ending June 30, 2019. Statement No. 88 defines debt that must be disclosed in the notes to the financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance related consequences, termination events with finance related consequences, and subjective acceleration clauses.

The WRA's management has not yet determined the impact of the Statements not yet implemented.

Note 11. Subsequent Events

On November 20, 2018 the WRA's Board authorized the issuance of \$18,000,000 sewer revenue bonds, Series 2018D, \$11,300,000 sewer revenue bonds, Series 2018E, and \$6,000,000 sewer revenue bonds, Series 2018F. The bond issuances and amendments are for the purpose of constructing, equipping, installing and extending certain facilities and improvements to the WRA system. The Board also authorized a rate reset on sewer revenue bonds 2008A, 2008B, and 2008D. After December 1, 2018, the interest rate will reduce from 3 percent to 1.75 percent.

