

**Des Moines Metropolitan  
Wastewater Reclamation Authority**

**Financial Report**

**For the years ended June 30, 2011 and 2010**

DES MOINES METROPOLITAN  
WASTEWATER RECLAMATION AUTHORITY

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## Independent Auditor's Report

To the Board of Participating Communities  
Des Moines Metropolitan Wastewater Reclamation Authority  
Des Moines, Iowa

We have audited the accompanying basic financial statements of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the WRA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Des Moines Metropolitan Wastewater Reclamation Authority, as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5 and schedule of funding progress on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*McGladrey & Pullen, LLP*

Des Moines, Iowa  
November 30, 2011

# DES MOINES METROPOLITAN WASTEWATER RECLAMATION AUTHORITY

FOR THE YEARS ENDED JUNE 30, 2011 and 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2011 and 2010.

### **Overview of the WRA**

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. Founded in 1979, under a 28E agreement between the eight cities, two sanitary sewer districts, and two counties, the WRA operated under the Integrated Community Area (ICA) Agreement. A regional treatment plant and conveyance system to nine members of the ICA was constructed between 1982 and 1994 with a plan of operating through 2005. Reorganization enabled consideration of change in the conveyance system and additions to the treatment plant that will allow the remaining members to connect to the WRA System.

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 two components: 1) basic financial information and 2) notes to the financial statements.

### **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 assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows, followed by notes to the financial statements.

The statement of net assets presents information on all the WRA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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 assets 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 non-cash activities.

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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 exceeded liabilities (net assets) by \$270,771,824, \$265,572,655, and \$259,949,487 as of June 30, 2011, 2010, and 2009, respectively. At June 30, 2011, 2010, and 2009, the WRA showed \$19,194,028, \$16,345,281, and \$9,479,088, respectively, as unrestricted assets, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2011, 2010, and 2009, the WRA's cash provided by operating activities was \$18,780,728, \$18,221,948, and \$13,951,543, respectively.

**Government-Wide Financial Analysis**

As noted earlier, net assets 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 assets. The same situation held true for the prior fiscal years. In 2011, the WRA's net assets increased \$5,199,169 from 2010. In 2010, the WRA's net assets increased \$5,623,168 from 2009.

	<b>Table 1</b>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current and other assets	\$ 82,162,332	\$ 78,534,793	\$ 79,642,772
Capital assets	424,657,393	373,446,447	351,158,996
Total assets	<u>506,819,725</u>	<u>451,981,240</u>	<u>430,801,768</u>
Liabilities			
Current liabilities	23,819,269	21,658,544	15,053,320
Non-current liabilities	212,228,632	164,750,041	155,798,961
Total liabilities	<u>236,047,901</u>	<u>186,408,585</u>	<u>170,852,281</u>
Net assets			
Invested in capital assets, net	221,177,295	219,333,909	220,881,565
Restricted assets	30,400,500	29,893,465	29,588,834
Unrestricted assets	19,194,029	16,345,281	9,479,088
Total net assets	<u>\$ 270,771,824</u>	<u>\$ 265,572,655</u>	<u>\$ 259,949,487</u>

The increase in net assets during the years ended June 30, 2011, 2010, and 2009 is primarily the result of cash collected for capital assets and debt servicing.

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Highlights of the WRA's revenues and expenses for the years ended June 30, 2011, 2010, and 2009 are presented in Table 2:

	<b>Table 2</b>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues			
Charges for sales and services	\$ 36,912,893	\$ 33,869,612	\$ 29,692,039
Operating Expenses:			
Cost of sales and services	17,057,300	16,228,052	15,929,828
Depreciation	11,447,651	10,356,787	9,410,548
Total operating expenses	<u>28,504,951</u>	<u>26,584,839</u>	<u>25,340,376</u>
Operating Income	<u>8,407,942</u>	<u>7,284,773</u>	<u>4,351,663</u>
Nonoperating Revenues (Expenses):			
Investment earnings	348,767	717,108	2,517,147
Gain (loss) on disposal of capital assets	34,769	6,657	192,704
Insurance recovery	612	791,961	250,000
Interest expense	(4,197,842)	(3,817,867)	(3,975,460)
Other	355,652	363,231	362,867
Nonoperating (loss)	<u>(3,458,042)</u>	<u>(1,938,910)</u>	<u>(652,742)</u>
Capital grants and contributions	<u>249,269</u>	<u>277,305</u>	<u>221,900</u>
Change in net assets	<u>\$ 5,199,169</u>	<u>\$ 5,623,168</u>	<u>\$ 3,920,821</u>

Total revenues were \$37,901,962 and total expenses were \$32,702,793 for the year ended June 30, 2011. Total revenues were \$36,025,874 and total expenses were \$30,402,706 for the year ended June 30, 2010. Total revenues were \$33,251,029 and total expenses were \$29,330,208 for the year ended June 30, 2009. The WRA's net operating income was \$8,407,942 for the year ended June 30, 2011, \$7,284,773 for the year ended June 30, 2010, and \$4,351,663 for the year ended June 30, 2009.

The WRA receives contributions from the member communities for debt servicing, capital and operations. The total received from the communities during the year ended June 30, 2011, 2010, and 2009 was \$32,095,194, \$32,060,286, and \$29,276,673, respectively.

**Capital Assets**

Capital assets (net) increased by \$51,210,946 in 2011, \$22,287,451 in 2010, and \$32,744,488 in 2009. A bond issue provided funds for a long-term commitment to system construction. Capital projects are planned to increase the capacity of both the wastewater facility and the conveyance system to accommodate the anticipated population growth in the metro area and extend connections to Ankeny, Altoona, Bondurant, Norwalk, Cumming, and Waukee. Concentration on the capital improvements and expansion planned through the year 2020 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.

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## **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. 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 fiscal year 2011, the WRA authorized \$81,700,000 of sewer revenue bonds under the Iowa Finance Authority's state revolving loan program. In fiscal year 2010, the WRA authorized \$37,005,750 of sewer revenue bonds under the Iowa Finance Authority's state revolving loan program. Proceeds will be loaned as draw-downs for constructing improvements or additions to the WRA System. WRA continues participation in the SRF program. The WRA authorized \$21,105,000 of sewer revenue bonds in fiscal year 2009 and \$30,806,720 in fiscal year 2008. Since 2004, the WRA has authorized \$302,347,470 of new debt.

Revenue bonds payable increased by \$44,592,091 in 2011, 16,931,858 in 2010, and \$12,069,615 in 2009. Please refer to Note 6 for more information on the WRA's long-term debt.

## **Economic Factors**

Interest rates have declined in recent years. Investment earnings were \$348,767, \$717,108, and \$2,547,147 for the years ended June 30, 2011, 2010, and 2009, 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 Scott Sanders, 401 Robert D. Ray Drive, Des Moines, Iowa 50309.

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**Statements of Net Assets**

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Unrestricted current assets:		
Cash and pooled cash investments	\$ 16,174,515	\$ 19,841,057
Accounts receivable	962,464	674,729
Interest receivable	203,962	870,499
Due from other governmental units	15,450,243	3,996,550
Unrestricted current assets	<u>32,791,184</u>	<u>25,382,835</u>
Restricted current assets:		
Cash and pooled cash investments	1,331,036	1,190,422
Investments	25,542,284	30,661,864
Restricted current assets	<u>26,873,320</u>	<u>31,852,286</u>
Total current assets	<u>59,664,504</u>	<u>57,235,121</u>
Non-current assets:		
Unamortized bond issue costs	2,832,768	2,001,032
Restricted non-current assets:		
Cash and pooled cash investments	3,013,220	4,987,447
Investments	16,651,840	14,311,193
Capital assets:		
Land	8,491,721	5,543,068
Construction in progress	113,088,598	61,474,256
Plant	219,317,449	218,962,619
Sewer system	173,964,059	173,945,984
Machinery and equipment	40,940,279	33,478,439
	<u>555,802,106</u>	<u>493,404,366</u>
Less accumulated depreciation	131,144,713	119,957,919
Capital assets, net	<u>424,657,393</u>	<u>373,446,447</u>
Total non-current assets	<u>447,155,221</u>	<u>394,746,119</u>
TOTAL ASSETS	<u>\$ 506,819,725</u>	<u>\$ 451,981,240</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable	\$ 534,824	\$ 938,710
Accrued wages payable	382,085	351,886
Accrued employee benefits	385,424	410,412
Contracts payable	10,292,274	4,742,013
Due to other governmental units	3,234,595	2,945,472
Revenue bonds payable	8,312,079	11,708,046
Accrued interest payable	677,988	562,005
Total current liabilities	<u>23,819,269</u>	<u>21,658,544</u>
Non-current liabilities:		
Accrued employee benefits	780,489	756,225
Other postemployment benefits	142,244	94,881
Revenue bonds payable	206,441,068	158,453,010
Due to other governmental units	-	236,982
Unamortized bond premium	4,864,831	5,208,943
Total non-current liabilities	<u>212,228,632</u>	<u>164,750,041</u>
 TOTAL LIABILITIES	 <u>\$ 236,047,901</u>	 <u>\$ 186,408,585</u>
 Net assets:		
Investment in capital assets, net of related debt	\$ 221,177,295	\$ 219,333,909
Restricted	30,400,500	29,893,466
Unrestricted	19,194,029	16,345,280
TOTAL NET ASSETS	<u>\$ 270,771,824</u>	<u>\$ 265,572,655</u>

See accompanying notes to basic financial statements.

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**Statements of Revenues, Expenses, and Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Charges for sales and services	\$ 36,912,893	\$ 33,869,612
Total operating revenues	<u>36,912,893</u>	<u>33,869,612</u>
Operating Expenses:		
Salary and personal services	8,352,182	8,197,995
Contractual services	7,150,390	6,329,398
Commodities	1,554,728	1,700,659
Depreciation	11,447,651	10,356,787
Total operating expenses	<u>28,504,951</u>	<u>26,584,839</u>
Operating Income	<u>8,407,942</u>	<u>7,284,773</u>
Non-operating revenues (expenses):		
Investment earnings	348,767	717,108
Amortization of bond premium	344,112	360,981
Gain (loss) on disposal of capital assets	34,769	6,657
Interest expense	(4,197,842)	(3,817,867)
Insurance recovery	612	791,961
Other	11,540	2,250
Total non-operating revenues (expenses)	<u>(3,458,042)</u>	<u>(1,938,910)</u>
Income before capital grants and contributions	4,949,900	5,345,863
FEMA recovery contributions	166,044	277,305
Capital grants and contributions	83,225	-
Total capital grants and contributions	<u>249,269</u>	<u>277,305</u>
Change in net assets	5,199,169	5,623,168
Net assets, beginning of year	<u>265,572,655</u>	<u>259,949,487</u>
Net assets, end of year	<u>\$ 270,771,824</u>	<u>\$ 265,572,655</u>

See notes to basic financial statements.

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**Statements of Cash Flow**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from users	\$ 36,143,425	\$ 33,955,163
Payments to employees	(8,275,345)	(8,023,024)
Payments to suppliers	(9,087,351)	(7,710,191)
Net cash provided by operating activities	<u>18,780,729</u>	<u>18,221,948</u>
Cash flows from investing activities:		
Investment earnings	1,258,063	1,465,896
Purchase of investments	(46,261,713)	(45,906,264)
Sales of investments	48,797,887	48,462,974
Net cash provided by investing activities	<u>3,794,237</u>	<u>4,022,606</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(53,781,284)	(30,971,354)
Payment to other governmental units for construction in progress	-	(231,956)
Insurance recovery	612	791,961
Receipts from sale of capital assets	87,916	9,648
Other	11,540	2,250
Receipts from SRF drawdowns	44,953,175	25,596,709
Grant payments received	83,225	-
Principal payments on revenue bonds	(11,167,000)	(8,734,250)
Interest payments on revenue bonds	(7,310,997)	(6,674,984)
Payment of bond issuance costs	(952,308)	(572,063)
Net cash used in capital and related financing activities	<u>(28,075,121)</u>	<u>(20,784,039)</u>
Increase (decrease) in cash and pooled cash investments	(5,500,155)	1,460,515
Cash and pooled cash investments, beginning of year	26,018,926	24,558,411
Cash and pooled cash investments, end of year	<u>\$ 20,518,771</u>	<u>\$ 26,018,926</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,407,942	\$ 7,284,773
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,447,651	10,356,787
(Increase) decrease in accounts receivable	(287,735)	565,631
(Increase) decrease in due from other governmental units	(481,733)	(480,080)
Increase (decrease) in accounts payable and due to other governmental units	(382,234)	319,866
Increase in accrued wages payable	30,199	43,372
Increase (decrease) in accrued employee benefits	(724)	83,801
Increase in other postemployment benefits	47,363	47,798
Net cash provided by operating activities	<u>\$ 18,780,729</u>	<u>\$ 18,221,948</u>
Noncash investing activities:		
Net appreciation (depreciation) in fair value of investments	(242,760)	(205,164)
Noncash capital and related financing activities:		
Increase in contracts payable for purchase of capital assets	10,292,274	4,742,013
Increase in accounts receivable for insurance recovery	-	250,000
Amounts in due from other governmental units for SRF draws	14,298,227	3,492,312
Increase in due to other governmental units for construction in progress	30,489	23,890

See accompanying notes to basic financial statements.

# DES MOINES METROPOLITAN WASTEWATER RECLAMATION AUTHORITY

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## Notes to Financial Statements

### 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. On July 1, 2004, a new 28E was adopted which amended and restated the previous agreement and set forth provisions to carry the WRA beyond 2005. The WRA has been established for the purposes of planning, constructing, operating, and managing regional sanitary sewer facilities. On June 21, 2005, a supplement to the WRA agreement admitted the city of Cumming as a participating community effective July 1, 2006. On December 20, 2005, a second supplement was adopted to admit the city of Waukee as a participating community effective July 1, 2007. On October 20, 2009, the WRA Board approved and authorized execution of the supplement to admit Polk City to the WRA as a participating community effective July 1, 2010.

The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, Polk City, West Des Moines, and Waukee; Urbandale Sanitary Sewer District; Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District; 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 amended and restated 28E agreement sets forth a schedule for sewer improvements and construction which provides for all of the participating communities connection to the WRF at 3000 Vandalia Road. The WRA Board has approved additional 28E agreements to expedite construction for specific phases of the scheduled improvements in which a participating community can finance the construction ahead of schedule and wait for reimbursement from the WRA bonding schedule.

*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.

*Basis of Presentation* - The economic resources measurement focus and the accrual basis of accounting are used by the WRA. Under this basis of accounting, all assets and all liabilities associated with the operation of the WRA are included on the statement of net assets. Revenues are recorded when earned which is when service is provided and expenses are recorded at the time liabilities are incurred. Annually, the WRA charges the participating communities for operations including maintenance and debt service in accordance with the amended and restated 28E agreement, primarily based on budgeted wastewater reclamation facility flows.

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*Operating and non-operating revenues and expenses*—Operating revenues result from exchange transactions of the WRA and charges to participating communities. The City of Des Moines provided 44% and 41% and the City of West Des Moines provided 11% and 11% of operating revenues for the years ended June 30, 2011 and 2010, respectively. Non-operating revenues result from non-exchange transactions such as investment earnings. Expenses associated with operating the WRA and providing services are considered operating.

*Cash and Pooled Cash Investments* - The 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 the WRA based upon Des Moines' rate of return on pooled cash investments and WRA's average monthly deposits balance. All deposits are covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

*Investments* - The operating contractor purchases investments on behalf of the WRA. The investments consist of U.S. Government Securities and are shown at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates. The investments are unregistered and uninsured; they are held by the counterparty's trust department or their agent in the name of the WRA. The investments did not vary from these at year-end in level of risk.

*GASB Pronouncement* – In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the WRA has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The WRA has elected not to follow FASB guidance subsequent to November 30, 1989.

*Accounts Receivable* - The WRA accrues unbilled revenues from commercial customers for industrial pretreatment services based upon services rendered subsequent to the last billing date prior to year-end and from Fat, Oil, Grease (FOG) inspection fees. An allowance account was established for uncollectible FOG inspection fees with annual increases computed as 10% of each year's fees. The balance in the allowance for doubtful accounts was \$73,350 and \$63,400 at June 30, 2011 and 2010, respectively.

*Due from Other Governments* – The WRA accrues draws submitted under the state revolving loan program based upon service dates of the contract work performed. As of June 30, 2011 and 2010, the amount due from Iowa Finance Authority (SRF Program) was approximately \$14,298,200 and \$3,492,300, respectively. The WRA also accrues any unpaid balances from participating communities at year-end.

*Restricted Assets* - Restricted assets represent required reserve funds as established by the debt agreement.

*Capital Assets* - Land, plant, 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 repairs and maintenance is charged to expense when incurred. The cost of renewals or substantial improvements in excess of \$5,000 is capitalized. The cost and accumulated depreciation of assets

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disposed are deleted, with any gain or loss recorded in current operations. Interest cost associated with constructing of capitalized assets is capitalized when significant to the WRA. For fiscal years 2011 and 2010, approximately \$3,349,700 and \$2,981,300 of interest costs were capitalized.

*Net Assets* – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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.

Net assets invested in capital assets, net of related debt, excludes unspent bond proceeds. Unspent bond proceeds as of June 30, 2011 and 2010 were \$16,137,880 and \$21,257,461, respectively. Net assets are 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. The WRA applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*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 and liabilities in the financial statements and accompanying notes. Actual results may differ from those estimates.

*Compensated Absences* - Employees working for the WRA are employees of Des Moines, the Operating Contractor, so wages and benefits are paid by the WRA as a direct allocation. Employee benefits are therefore provided under 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 liabilities in the fiscal year earned.

Employees working for the WRA also participate in Des Moines' deferred compensation plan. The plan permits employees to defer a portion of their salary until future years. Under the terms of the plan, the 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 2011 and 2010, the WRA contributed \$126,000 and \$123,000, respectively, to the plan.

*Due to Other Governments* – A liability is recorded in the statement of net assets for amounts due to participating communities for sewer design and construction that arise from an expedited 28E agreement approved by the WRA.

*Long-Term Obligations* – Long-term debt is recorded as a liability in the statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

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2. RELATED PARTY TRANSACTIONS

The WRA shares certain expenses with Des Moines in accordance with the provisions of the WRA Operating Contract. WRA incurred wages and employee benefit costs of approximately \$8,352,200, and \$8,198,000 in 2011 and 2010 for employees working for the WRA system. During the years ended June 30, 2011 and 2010, WRA paid allocations of \$1,110,200 (24%) and \$986,400 (24%) to Des Moines for shared expenses relating to pumping stations maintenance.

3. DEPOSITS AND INVESTMENTS

As of June 30, 2011 and 2010, the WRA had the following investments and maturities:

<u>2011</u> Security Description	Current Market Value	Investment Maturities (in Years)			
		Less than <u>One</u>	<u>1-2</u>	<u>3-5</u>	More than <u>Five</u>
FHLB total	\$ 18,595,560	\$ 1,221,276	\$ 17,374,284	\$ -	\$ -
FNMA total	11,741,151	6,817,395	2,921,236	2,002,520	-
FNMA Discount total	5,798,661	5,798,661			-
Federal Farm Credit total	4,048,352		4,048,352		-
FHLMC total	2,010,400		2,010,400		-
Grand total	<u>\$ 42,194,124</u>	<u>13,837,332</u>	<u>26,354,272</u>	<u>2,002,520</u>	<u>-</u>

<u>2010</u> Security Description	Current Market Value	Investment Maturities (in Years)			
		Less than <u>One</u>	<u>1-2</u>	<u>3-5</u>	More than <u>Five</u>
FHLB total	\$ 10,990,286	\$ -	\$ 10,990,286	\$ -	\$ -
FNMA total	6,302,253	3,735,853	2,566,400	-	-
FNMA Discount total	473,955	473,955	-	-	-
Federal Farm Credit total	2,000,620	-	2,000,620	-	-
FHLMC total	6,068,965	2,002,500	-	4,066,465	-
FHLMC Discount total	14,186,978	14,186,978	-	-	-
Grand total	<u>\$ 40,023,057</u>	<u>20,399,286</u>	<u>15,557,306</u>	<u>4,066,465</u>	<u>-</u>

Investments on the statement of net assets include certificates of deposit totaling \$4,950,000 at June 30, 2010.

*Authorized Investments* – The WRA appointed the City Treasurer of Des Moines as the WRA Treasurer. The investment policy of the WRA directs the funds to be invested in the same manner as like funds of Des Moines are invested under Des Moines’ investment policy. The 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.

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*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 to its fair value to changes in market interest rates. In accordance with the WRA’s investment policy, the 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. The WRA’s investment policy requires that non-operating funds not exceed a five year maturity.

*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, 2011, the WRA’s investments were rated as follows:

<u>Security Description</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Federal Farm Credit	Aaa	AAA
FHLB	Aaa	AAA
FNMA	Aaa	AAA
FNMA Discount	Aaa	AAA
FHLMC	Aaa	AAA

*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% of the investment portfolio may be invested in commercial paper and no more than 50% of the investment portfolio is invested in securities of a single issuer. As of June 30, 2011, the WRA has invested 44% FHLB, 28% in FNMA, 14% in FNMA Discount, 5% in FHLMC, and 9% Federal Farm Credit securities.

As of June 30, 2010, the WRA has invested 5% in Federal Farm Credit, 28% FHLB, 16% in FNMA, 1% in FNMA Discount, 15% in FHLMC, and 35% FHLMC Discount 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. Chapter 12c of the Code of Iowa requires all WRA funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2011 and 2010, the WRA’s deposits with financial institutions were entirely covered by the federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state’s ability to assess for lost funds.

As of June 30, 2011 and 2010, the WRA’s investments are unregistered and uninsured and held by the counter party’s trust department or their agent in the name of the WRA.

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4. CAPITAL ASSETS

The following tables show the changes in capital assets.

<u>2011</u>	Beginning <u>Balance</u>	Additions <u>and Transfers</u>	Retirements <u>and Transfers</u>	Ending <u>Balance</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 5,543,068	\$ 2,948,653	\$ -	\$ 8,491,721
Construction in progress	61,474,256	62,032,601	(10,418,259)	113,088,598
	<u>67,017,324</u>	<u>64,981,254</u>	<u>(10,418,259)</u>	<u>121,580,319</u>
<u>Depreciable capital assets:</u>				
Plant	218,962,619	354,830		219,317,449
Sewer system	173,945,984	18,075	-	173,964,059
Machinery & equipment	33,478,439	7,775,845	(314,005)	40,940,279
	<u>426,387,042</u>	<u>8,148,750</u>	<u>(314,005)</u>	<u>434,221,787</u>
	493,404,366	73,130,004	(10,732,264)	555,802,106
Less accumulated depreciation:				
Plant	(68,542,736)	(4,938,987)	-	(73,481,723)
Sewer system	(35,623,174)	(3,293,001)	-	(38,916,175)
Machinery & equipment	(15,792,009)	(3,215,664)	260,858	(18,746,815)
	<u>(119,957,919)</u>	<u>(11,447,652)</u>	<u>260,858</u>	<u>(131,144,713)</u>
Net capital assets	<u>\$ 373,446,447</u>	<u>\$ 61,682,352</u>	<u>\$ (10,471,406)</u>	<u>\$ 424,657,393</u>

<u>2010</u>	Beginning <u>Balance</u>	Additions <u>and Transfers</u>	Retirements <u>and Transfers</u>	Ending <u>Balance</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 4,383,401	\$ 1,159,667	\$ -	\$ 5,543,068
Construction in progress	74,676,644	31,950,641	(45,153,029)	61,474,256
	<u>79,060,045</u>	<u>33,110,308</u>	<u>(45,153,029)</u>	<u>67,017,324</u>
<u>Depreciable capital assets:</u>				
Plant	217,444,025	1,518,594	-	218,962,619
Sewer system	136,848,636	37,097,348	-	173,945,984
Machinery & equipment	27,474,809	6,074,008	(70,378)	33,478,439
	<u>381,767,470</u>	<u>44,689,950</u>	<u>(70,378)</u>	<u>426,387,042</u>
	460,827,515	77,800,258	(45,223,407)	493,404,366
Less accumulated depreciation:				
Plant	(63,650,944)	(4,891,792)	-	(68,542,736)
Sewer system	(32,701,327)	(2,921,847)	-	(35,623,174)
Machinery & equipment	(13,316,248)	(2,543,148)	67,387	(15,792,009)
	<u>(109,668,519)</u>	<u>(10,356,787)</u>	<u>67,387</u>	<u>(119,957,919)</u>
Net capital assets	<u>\$ 351,158,996</u>	<u>\$ 67,443,471</u>	<u>\$ (45,156,020)</u>	<u>\$ 373,446,447</u>

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5. IMPAIRMENT OF ASSETS and INSURANCE RECOVERY

The WRA system sustained a loss in June 2008. Flood damage to the plant and lift stations from excess grit and water that submersed equipment and at one location ruined substantially all the electrical wiring and electrical equipment. The WRA has filed a claim with FEMA for eligible damages in excess of insurance coverage. The WRA has recorded an impairment charge of \$846,020 for the year ending June 30, 2008 and received partial recovery during the 2009 fiscal year. The claim remains open at June 30, 2011.

6. EMPLOYEE BENEFITS & LONG-TERM DEBT

The following tables show the changes in long-term debt, employee benefits, and due to other governmental units.

	<u>2011</u>					Due Within One Year	Range of Interest Rates
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>			
Revenue bonds:							
Series 2006	\$ 36,575,000	\$ -	\$ (780,000)	\$ 35,795,000	810,000	3.75% to 5%	
Series 2004A	5,965,000	-	(3,230,000)	2,735,000	2,735,000	3% to 5%	
Series 2004B	62,430,000	-	(1,185,000)	61,245,000	1,220,000	3% to 5%	
SRF Loans	8,557,000	-	(1,184,000)	7,373,000	1,234,000	3%	
New SRF Loans	51,944,427	55,480,641	(888,000)	106,537,068	1,245,000	3%	
Subordinate SRF	4,689,629	278,450	(3,900,000)	1,068,079	1,068,079	0%	
Due to other gov't units	3,182,454	52,141	-	3,234,595	3,234,595	n.a.	
Accrued employee benefits	1,166,637	904,472	(905,196)	1,165,913	385,424	n.a.	
	<u>\$ 174,510,147</u>	<u>\$ 56,715,704</u>	<u>\$ (12,072,196)</u>	<u>\$ 219,153,655</u>	<u>\$ 11,932,098</u>		

	<u>2010</u>					Due Within One Year	Range of Interest Rates
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>			
Revenue bonds:							
Series 2006	\$ 37,325,000	\$ -	\$ (750,000)	\$ 36,575,000	780,000	3.75% to 5%	
Series 2004A	9,665,000	-	(3,700,000)	5,965,000	3,230,000	3% to 5%	
Series 2004B	63,580,000	-	(1,150,000)	62,430,000	1,185,000	3% to 5%	
SRF Loans	9,692,000	-	(1,135,000)	8,557,000	1,184,000	3%	
New SRF Loans	28,955,417	22,994,010	(5,000)	51,944,427	888,000	3%	
Subordinate SRF	4,011,781	2,672,098	(1,994,250)	4,689,629	4,441,046	0%	
Due to other gov't units	3,390,520	23,890	(231,956)	3,182,454	2,945,472	n.a.	
Accrued employee benefits	1,082,836	778,725	(694,924)	1,166,637	410,412	n.a.	
	<u>\$ 157,702,554</u>	<u>\$ 26,468,723</u>	<u>\$ (9,661,130)</u>	<u>\$ 174,510,147</u>	<u>\$ 15,063,930</u>		

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### Revenue Bonds:

In December 2006, the WRA issued \$38,050,000 Series 2006 bonds for construction projects. The Series 2006 bonds require principal payments each June 1<sup>st</sup> through 2036 and bear interest rates of 3.75-5%. As of June 30, 2011, \$35,795,000 remains outstanding.

As a result of the amended and restated 28E agreement, the WRA issued Series 2004A to advance refund Des Moines' sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3. Proceeds were placed into an irrevocable trust and the liability was removed from Des Moines' financial statements. In October 2004, the WRA authorized Series 2004 A & B revenue bonds. The Series 2004A bonds of \$26,850,000 require principal payments each June 1<sup>st</sup> through 2012 and bear interest rates of 3-5%. As of June 30, 2011, \$2,735,000 remains outstanding. The WRA issued \$66,830,000 Series 2004B for construction projects. The Series 2004B bonds require principal payments each June 1<sup>st</sup> through 2034 and bear interest rates of 3-5%. As of June 30, 2011, \$61,245,000 remains outstanding.

### SRF Loans:

State revolving loans SRF4, SRF6, and SRF7 with a balance of \$14,700,000 on July 1, 2004, were reassigned from Des Moines to the WRA. As of June 30, 2011, \$7,373,000 remains outstanding.

### New SRF Loans and Subordinate SRF Loan:

In February 2008, the WRA authorized Series 2008 A-G revenue bonds under the state revolving loan program. In June 2008, the WRA issued \$25,745,000 Series 2008 A, B, D bonds for construction projects and \$5,061,720 Series E & F as subordinate bonds for planning and design loans. As of June 30, 2011, \$29,178,122 has been drawn. As of June 30, 2011, \$23,995,043 remains outstanding. The Series 2008A, 2008B, 2008D bear interest rates of 3% and mature June 1, 2039. Principal payments begin after completion of the construction projects. Series 2008E and Series 2008F are interim loans with zero interest rate. Series 2008E with an outstanding balance of \$1,068,079 will be refinanced in 2012. Series 2008F was refinanced on May 25, 2011.

In December 2008, the WRA authorized Series 2009 A-B revenue bonds under the state revolving loan program. In January 2009 the WRA issued \$3,205,000 Series 2009A as subordinate bonds for planning and design loans. In March 2009, the WRA issued \$8,400,000 Series 2009 B bonds for construction projects. As of June 30, 2011, \$9,991,587 has been drawn. As of June 30, 2011, \$7,817,336 remains outstanding. The Series 2009B bears interest of 3% and matures June 1, 2040. Series 2009A was an interim loan with zero interest rate; it was refinanced on June 30, 2010.

In April 2009, the WRA authorized Series 2009 C-D revenue bonds under the state revolving loan program. In April 2009, the WRA issued \$300,000 Series 2009D as subordinate bonds for a planning and design loan. On July 1, 2009, the WRA issued \$9,200,000 Series 2009C bonds for construction projects. As of June 30, 2011, Series 2009C is fully drawn and \$9,003,000 remains outstanding. Series 2009D was an interim loan with zero interest rate; it was refinanced on March 23, 2011.

In December 2009, the WRA authorized Series 2010 A-B revenue bonds under the state revolving loan program. In May 2010, the WRA issued \$15,500,000 Series A-B bonds for construction projects. As of June 30, 2011 \$15,434,195 has been drawn and \$15,432,195 remains outstanding. The Series 2010A and 2010B bear interest rates of 3% and mature June 1, 2040. Principal payments begin after completion of the construction projects.

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In June 2010, the WRA authorized Series 2010 C revenue bonds under the state revolving loan program. On June 30<sup>th</sup>, the WRA issued \$2,000,000 Series 2010 C-1 bonds and \$21,500,000 Series 2010 C-2 for a construction project. The Series 2010C bear interest rates of 3% and mature June 1, 2032. As of June 30, 2011 \$10,341,009 has been drawn and is outstanding. Principal payments begin after completion of the construction project. Series 2010 C-1 is a Build America Bond where the WRA has elected to receive future payments from the federal government to offset the 3% interest. The payments are equal to 35% of the interest paid; the net interest rate is 1.95%.

In December 2010, the WRA authorized Series 2011B revenue bonds under the state revolving loan program. In May 2011, the WRA issued \$16,000,000 Series B bonds for construction projects. As of June 30, 2011 \$14,834,151 has been drawn and is outstanding. The Series 2011B bears interest of 3% and matures June 1, 2041. Principal payments begin after completion of the construction projects.

In January 2011, the WRA authorized Series 2011C revenue bonds under the state revolving loan program. In May 2011, the WRA issued \$9,600,000 Series C bonds for construction projects. As of June 30, 2011 \$6,760,876 has been drawn and is outstanding. The Series 2011C bears interest of 3% and matures June 1, 2041. Principal payments begin after completion of the construction projects.

In April 2011, the WRA authorized Series 2011A revenue bonds under the state revolving loan program. In May 2011, the WRA issued \$60,000,000 Series 2011A bonds for construction projects. As of June 30, 2011 \$18,353,457 has been drawn and is outstanding. The Series 2011A bears interest of 3% and matures June 1, 2042. Principal payments begin after completion of the construction projects.

Due to other governmental units:

The amount due at June 30, 2011 and 2010 relates to commitments and 28E agreements from past years that expedited sewer construction for WRA conveyance. WRA expects to repay participating communities before June 30, 2012.

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 \$30,400,500 and \$29,893,465 as of June 30, 2011 and 2010.

The state revolving loans require the WRA to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

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The outstanding revenue bonds mature as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	8,312,079	8,844,933
2013	6,075,000	9,539,376
2014	7,565,000	9,584,795
2015	7,897,000	8,182,780
2016	7,975,000	7,951,130
2017-2021	39,097,010	36,292,108
2022-2026	41,334,457	29,277,690
2027-2031	42,607,000	20,337,070
2032-2036	43,115,876	9,984,955
2037-2041	10,774,725	4,170,660
	<u>214,753,147</u>	<u>144,165,497</u>

**7. COMMITMENTS AND CONTINGENCIES**

*Construction Contracts* - The WRA has signed construction contracts with remaining commitments of approximately \$61,825,900 and \$82,395,600 as of June 30, 2011 and 2010. Commitments on construction projects specifically identified in the bond statement will be funded by the proceeds of both the 2006 and 2004B bond issues. Commitments on certain construction projects are funded with Clean Water funds under the State Revolving Loan program.

*28E Agreements* - The WRA has entered into agreements with member communities to purchase land and sewers with current and future bond issue proceeds and approved commitments of approximately \$3,699,500 and \$7,057,600 as of June 30, 2011 and 2010, respectively.

*Litigation* - The 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.

**8. DEFEASED DEBT**

In prior years, the WRA defeased certain sewer revenue refunding bonds and state revolving loans by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the WRA's financial statements. On June 30, 2011, \$240,000 bonds outstanding are considered defeased.

**9. 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. The WRA carries commercial insurance for general liability claims. Settled claims usually do not exceed commercial coverage, however in June 2008, the WRA sustained flood damage that exceeded coverage. The WRA has filed a claim with FEMA for eligible damages in excess of insurance coverage.

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### **10. RETIREMENT SYSTEM**

As a direct allocation from Des Moines, the WRA contributes to the Iowa Public Employees' Retirement System (IPERS) which 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 are required to contribute 4.50% and 4.30%, respectively, of their annual covered salary and the WRA is required to contribute 6.95% and 6.65%, respectively, of annual payroll for the years ended June 30, 2011 and 2010. Contribution requirements are established by State statute. The WRA's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$401,000, \$376,000, and \$353,000, respectively, equal to the required contributions for each year.

### **11. OTHER POSTEMPLOYMENT BENEFITS**

*Plan description* – The WRA participates in Des Moines' single-employer health care plan that provides medical, prescription drugs and dental benefits to all active and retired employees and their eligible dependents. 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.

*Funding policy* – Des Moines establishes and amends contribution requirements. The current funding policy of Des Moines is to pay health claims as they occur. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. For fiscal years 2011 and 2010, the WRA contributed \$28,446 and \$25,860, respectively.

*Annual OPEB Cost and Net OPEB Obligation* – WRA's allocation of Des Moines' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the WRA's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the WRA's annual OPEB obligation:

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	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 74,430	\$ 74,430
Interest on net OPEB obligation	4,270	2,119
Adjustment to annual required contribution	(2,891)	(2,891)
Annual OPEB cost (expense)	<u>75,809</u>	<u>73,658</u>
Contributions and payments made	28,446	25,860
Increase in net OPEB obligation	<u>47,363</u>	<u>47,798</u>
Net OPEB obligation, beginning of year	<u>94,881</u>	<u>47,083</u>
Net OPEB obligation, end of fiscal year	\$ 142,244	\$ 94,881

The WRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2010, and 2009 follows.

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 75,809	53.30%	\$ 142,244
June 30, 2010	\$ 73,658	35.11%	\$ 94,881
June 30, 2009	\$ 39,589	46.12%	\$ 47,083

*Funding status and funding progress* – As of July 1, 2009, the most recent actuarial valuation date, the plan was not funded. The WRA's actuarial accrued liability for benefits was \$592,267 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$(592,267). The results of the July 1, 2009 valuation were rolled forward to July 1, 2010 and 2011. The covered payroll (annual payroll of active employees covered by the plan) was \$5,728,000 in 2011 and \$5,736,000 in 2010. The ratio of the UAAL to the covered payroll was 10.3% in 2011 and 10.3% in 2010.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial methods and assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the July 1, 2009 actuarial valuation, project unit credit method was used. The actuarial assumptions included a 4.5 percent discount rate, an annual health care cost trend rate of 9.5 percent reduced by decrements of .5 percent annually to an ultimate rate of 5 percent. The UAAL is being amortized as an open level dollar. The amortization of UAAL is done over a period of 30 years.

# DES MOINES METROPOLITAN WASTEWATER RECLAMATION AUTHORITY

## FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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### 12. NEW PRONOUNCEMENTS

As of June 30, 2011, the GASB has issued the following statements not yet implemented by the WRA. The statements which might impact the WRA are as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the WRA beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the WRA beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the WRA beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

The WRA's management has not yet determined the effect these statements will have on the WRA's financial statements.

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**Required Supplementary Information**

Other Post-Employment Benefits

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percent of Covered Payroll [(b-a)/c]
2011	7/1/2009	\$ -	\$ 592,267	\$ 592,267	0.0%	\$ 5,728,000	10.3%
2010	7/1/2009	\$ -	\$ 592,267	\$ 592,267	0.0%	\$ 5,736,000	10.3%
2009	7/1/2007	\$ -	\$ 331,219	\$ 331,219	0.0%	\$ 5,370,000	6.2%

Note: Fiscal year 2008 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2009. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost Method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0 percent; discount rate of 4.5 percent.
4. The amortization method is open, level dollar.