

**Des Moines Metropolitan  
Wastewater Reclamation Authority**

Financial Report  
June 30, 2016



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## Independent Auditor's Report

RSM US LLP

To the WRA Board Members  
Des Moines Metropolitan  
Wastewater Reclamation Authority  
Des Moines, Iowa

### **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, 2016 and 2015, 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 opinions 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 opinions.

### ***Opinions***

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, 2016 and 2015, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the other postemployment benefit plan schedule of funding progress on page 27 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 19, 2016

## **Des Moines Metropolitan Wastewater Reclamation Authority**

### **Management's Discussion and Analysis Years Ended June 30, 2016 and 2015**

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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, 2016 and 2015.

#### **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 will increase capacity at the regional treatment plant, improve interceptors and add 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, 2016 and 2015

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 \$295,925,156, \$288,343,997, and \$285,127,906 as of June 30, 2016, 2015 and 2014, respectively. At June 30, 2016, 2015, and 2014, the WRA showed \$19,554,662, \$10,945,491 and \$5,909,642, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2016, 2015 and 2014, the WRA's cash provided by operating activities was \$27,466,082, \$20,020,929, and \$23,462,137, 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 2016, the WRA's net position increased \$7,581,159 from 2015. In 2015, the WRA's net position increased \$3,216,091 from 2014.

Table 1

	2016	2015	2014
<b>Assets</b>			
Current and other assets	\$ 58,897,199	\$ 47,959,137	\$ 47,654,345
Capital assets	596,632,267	603,398,575	593,989,748
<b>Total assets</b>	<b>655,529,466</b>	<b>651,357,712</b>	<b>641,644,093</b>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	892,629	974,416	1,099,708
<b>Liabilities</b>			
Current liabilities	16,727,862	18,987,097	19,589,030
Noncurrent liabilities	343,769,077	345,001,034	338,026,865
<b>Total liabilities</b>	<b>360,496,939</b>	<b>363,988,131</b>	<b>357,615,895</b>
<b>Net position</b>			
Net investment in capital assets	243,640,494	248,974,506	250,774,589
Restricted assets	32,738,000	28,424,000	28,443,675
Unrestricted assets	19,546,662	10,945,491	5,909,642
<b>Total net position</b>	<b>\$ 295,925,156</b>	<b>\$ 288,343,997</b>	<b>\$ 285,127,906</b>

The increase in net position during the years ended June 30, 2016, 2015 and 2014 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, 2016 and 2015

Highlights of the WRA's revenues and expenses for the years ended June 30, 2016, 2015 and 2014 are presented in Table 2:

	2016	2015	2014
Operating revenues, charges for sales and services	<b>\$ 45,410,454</b>	\$ 42,725,316	\$ 40,827,063
Operating expenses:			
Cost of sales and services	<b>20,800,471</b>	21,277,871	18,304,901
Depreciation	<b>16,947,442</b>	14,262,544	13,738,962
<b>Total operating expenses</b>	<b>37,747,913</b>	35,540,415	32,043,863
<b>Operating income</b>	<b>7,662,541</b>	7,184,901	8,783,200
Nonoperating revenues (expenses):			
Sales tax	<b>5,996,430</b>	-	-
Investment earnings	<b>386,875</b>	168,093	136,702
Amortization	<b>264,798</b>	171,080	279,634
Gain (loss) on disposal of capital assets	<b>215,672</b>	(288,195)	36,363
Interest and bond issuance expense	<b>(6,945,157)</b>	(4,170,663)	(3,644,355)
<b>Nonoperating (loss)</b>	<b>(81,382)</b>	(4,119,685)	(3,191,656)
Capital grants and contributions	-	150,875	44,176
<b>Change in net position</b>	<b>\$ 7,581,159</b>	\$ 3,216,091	\$ 5,635,720

Total revenues were \$51,793,759 and total expenses were \$44,212,600 for the year ended June 30, 2016. Total revenues were \$43,044,284 and total expenses were \$39,828,193 for the year ended June 30, 2015. Total revenues were \$41,007,941 and total expenses were \$35,372,221 for the year ended June 30, 2014. The WRA's net operating income was \$7,662,541 for the year ended June 30, 2016, \$7,184,901 for the year ended June 30, 2015 and \$8,783,200 for the year ended June 30, 2014.

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, 2016, 2015 and 2014 was \$40,300,478, \$37,707,955 and \$36,572,885, respectively.

#### Capital assets

Capital assets (net) decreased by \$6,766,308 in 2016 and increased by \$9,408,827 in 2015 and \$41,032,283 in 2014.

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, 2016 and 2015**

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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. 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, 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 fiscal year ended June 30, 2015, the WRA authorized \$44,090,000 of debt. The proceeds were used to retire/refund Series 2006 sewer revenue bonds and to fund construction improvement projects and additions to the WRA System. In fiscal year ending June 30, 2014, the WRA authorized \$13,200,000 in 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 decreased by \$1,113,864 in 2016, and increased \$9,295,656 in 2015 and \$25,387,957 in 2014. Please refer to Note 5 for more information on the WRA's long-term debt.

#### **Economic factors**

Investment earnings were \$386,875, \$168,093, and \$136,702 for the years ended June 30, 2016, 2015 and 2014, 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 Dan Ritter, 400 E. Court Avenue, Des Moines, Iowa 50309.

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Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Net Position  
June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 19,917,317	\$ 12,021,796
Accounts receivable, net	834,404	890,838
Interest receivable	21,234	13,115
Due from other governmental units	4,959,171	6,215,806
Prepaid expenses	435,073	393,582
<b>Unrestricted current assets</b>	<b>26,167,199</b>	<b>19,535,137</b>
Restricted current assets:		
Cash and pooled cash investments	6,148,523	5,637,410
Investments	14,072,790	14,507,590
<b>Restricted current assets</b>	<b>20,221,313</b>	<b>20,145,000</b>
<b>Total current assets</b>	<b>46,388,512</b>	<b>39,680,137</b>
Noncurrent assets:		
Restricted noncurrent assets:		
Cash and pooled cash	5,555,320	1,122,747
Investments	6,953,367	7,156,253
Capital assets:		
Land	9,196,291	9,196,291
Construction in progress	128,310,300	204,295,240
Plant	270,096,287	237,387,328
Sewer system	317,729,520	279,440,939
Machinery and equipment	65,648,311	53,839,343
	<b>790,980,709</b>	<b>784,159,141</b>
Less accumulated depreciation	194,348,442	180,760,566
<b>Capital assets, net</b>	<b>596,632,267</b>	<b>603,398,575</b>
<b>Total noncurrent assets</b>	<b>609,140,954</b>	<b>611,677,575</b>
<b>Total assets</b>	<b>655,529,466</b>	<b>651,357,712</b>
<b>Deferred outflows of resources</b> , deferred charge on refunding	<b>892,629</b>	<b>974,416</b>

See notes to financial statements.

	2016	2015
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 499,156	\$ 657,910
Accrued wages payable	369,579	281,145
Accrued employee benefits	438,183	429,770
Contracts payable	3,096,697	4,861,354
Due to other governments	134,517	242,610
Revenue bonds payable	11,351,000	11,524,000
Accrued interest payable	838,730	990,308
<b>Total current liabilities</b>	<b>16,727,862</b>	<b>18,987,097</b>
Noncurrent liabilities:		
Accrued employee benefits	874,307	834,394
Other postemployment benefits	361,368	345,789
Revenue bonds payable	338,816,866	339,757,730
Unamortized bond premium	3,716,536	4,063,121
<b>Total noncurrent liabilities</b>	<b>343,769,077</b>	<b>345,001,034</b>
<b>Total liabilities</b>	<b>360,496,939</b>	<b>363,988,131</b>
<b>Net position</b>		
Net investment in capital assets	243,640,494	248,974,506
Restricted:		
Debt service	28,479,682	28,424,000
Capital projects	4,258,318	-
Unrestricted	19,546,662	10,945,491
<b>Total net position</b>	<b>\$ 295,925,156</b>	<b>\$ 288,343,997</b>

**Des Moines Metropolitan Wastewater Reclamation Authority**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2016 and 2015**

	2016	2015
Operating revenues, charges for sales and services	<b>\$ 45,410,454</b>	<b>\$ 42,725,316</b>
Operating expenses:		
Salary and personal services	10,011,808	9,571,643
Contractual services	8,469,592	9,584,303
Commodities	2,319,071	2,121,925
Depreciation	16,947,442	14,262,544
<b>Total operating expenses</b>	<b>37,747,913</b>	<b>35,540,415</b>
<b>Operating income</b>	<b>7,662,541</b>	<b>7,184,901</b>
Nonoperating revenues (expenses):		
Sales tax	5,996,430	-
Investment earnings	386,875	168,093
Amortization of bond premium and deferred charge on refunding	264,798	171,080
Gain (loss) on disposal of capital assets	215,672	(288,195)
Interest and bond issuance expense	(6,945,157)	(4,170,663)
<b>Total nonoperating (expenses)</b>	<b>(81,382)</b>	<b>(4,119,685)</b>
<b>Income before capital grants and contributions</b>	<b>7,581,159</b>	<b>3,065,216</b>
FEMA recovery contributions	-	150,875
<b>Change in net position</b>	<b>7,581,159</b>	<b>3,216,091</b>
Net position, beginning of year	288,343,997	285,127,906
Net position, end of year	<b>\$ 295,925,156</b>	<b>\$ 288,343,997</b>

See notes to financial statements.

**Des Moines Metropolitan Wastewater Reclamation Authority**

**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Receipts from users	\$ 46,995,117	\$ 41,079,472
Payments to employees	(9,859,469)	(9,469,987)
Payments to suppliers	(11,097,001)	(11,588,556)
<b>Net cash provided by operating activities</b>	<b>26,038,647</b>	<b>20,020,929</b>
Cash flows from investing activities:		
Investment earnings	255,545	204,168
Purchase of investments	(14,720,848)	(29,286,185)
Sales of investments	15,481,745	30,070,795
<b>Net cash provided by investing activities</b>	<b>1,016,442</b>	<b>988,778</b>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(8,022,775)	(18,812,271)
Receipts from sale of capital assets	354,006	10,250
Receipts from SRF drawdowns	12,328,571	19,416,985
Grant payments received, net of payments	-	150,875
Sales tax payments received	4,297,401	-
Proceeds from revenue bonds, including premiums and deferred amount on refunding 2016 none; 2015 \$1,070,679	-	33,090,679
Principal payments on revenue bonds	(12,015,000)	(41,287,000)
Interest payments on revenue bonds	(11,048,331)	(12,861,524)
Payment of bond issuance costs	(109,754)	(626,202)
<b>Net cash used in capital and related financing activities</b>	<b>(14,215,882)</b>	<b>(20,918,208)</b>
<b>Increase in cash and pooled cash</b>	<b>12,839,207</b>	<b>91,499</b>
Cash and pooled cash, beginning of year	18,781,953	18,690,454
Cash and pooled cash, end of year	<b>\$ 31,621,160</b>	<b>\$ 18,781,953</b>

(Continued)

**Des Moines Metropolitan Wastewater Reclamation Authority**

**Statements of Cash Flows (Continued)  
Years Ended June 30, 2016 and 2015**

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,662,541	\$ 7,184,901
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,947,442	14,262,544
(Increase) decrease in accounts receivable	56,434	(158,349)
(Increase) decrease in due from other governmental units	1,528,229	(1,487,495)
(Increase) in prepaid expenses	(41,491)	(242,463)
Increase (decrease) in accounts payable and due to other governments	(266,847)	360,135
Increase in accrued wages payable	88,434	94,716
Increase (decrease) in accrued employee benefits	48,326	(52,563)
Increase in other postemployment benefits	15,579	59,503
<b>Net cash provided by operating activities</b>	<b>\$ 26,038,647</b>	<b>\$ 20,020,929</b>
Noncash investing activities, net appreciation (depreciation) in fair value of investments	\$ 123,211	\$ (1,232)
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	\$ 3,096,697	\$ 4,861,354
Amounts in due from other governmental units for SRF draws	\$ 3,219,536	\$ 4,646,971
Amounts of interest expense capitalized to new assets	\$ 4,061,350	\$ 7,970,180
Amounts in due from other governmental units for sales tax	\$ 1,699,029	\$ -

See notes to financial statements.



## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### 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 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 Financial Statements

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#### 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, 2016 and 2015 are as follows:

	2016	2015
City of Des Moines	34%	33%
City of West Des Moines	13	12
City of Ankeny	14	13

Nonoperating revenues result from nonexchange transactions such as investment earnings. 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. 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 \$82,500 and \$83,200 at June 30, 2016 and 2015, respectively. Approximately \$(700) and \$79,200 was (recovered)/written off during the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the amount due from Iowa Finance Authority (SRF Program) was \$3,219,536 and \$4,646,971, 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, 2016 and 2015, the amount due from the State of Iowa for sales tax was \$1,699,029 and none, respectively.

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### 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 \$28,499,682 of required reserve funds as established by the debt agreement and \$4,258,318 of unspent sales tax funds restricted for future capital projects.

**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 are capitalized. The cost and accumulated depreciation of assets disposed are deleted, with any gain or loss recorded in current operations. Interest cost associated with self-constructed assets is capitalized when significant to WRA. For fiscal years 2016 and 2015, \$4,061,350 and \$7,970,180 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, 2016 or 2015. 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. As of June 30, 2016 \$4,258,318 of unspent sales tax funds are restricted for future capital projects. WRA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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, deferred outflows of resources and liabilities in the financial statements and accompanying notes. Actual results may differ from those estimates.

**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.

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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

Employees working for 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, 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 2016 and 2015, WRA contributed approximately \$154,600 and \$153,700, respectively, to the plan.

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

**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.

**Reclassification of certain assets and expenses:** Certain assets on the statement of net position and certain expenses on the statement of revenues, expenses and changes in net position as of June 30, 2015, have been reclassified with no effect on net position, to be consistent with the classification adopted for June 30, 2016.

#### 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 2016 and 2015 of approximately \$10,012,000 and \$9,572,000, respectively, for employees working for WRA. During the years ended June 30, 2016 and 2015, WRA paid allocations of approximately \$1,228,100 (23 percent) and \$970,200 (23 percent), respectively, to Des Moines for shared expenses relating to pumping stations maintenance.

#### Note 3. Deposits and Investments

As of June 30, 2016 and 2015, WRA had the following investments and maturities:

Security Description	2016			
	Fair Value	Less than One	Investment Maturities in Years	
			1 - 2	3 - 5
FHLB	\$ 10,192,153	\$ 5,009,440	\$ 2,983,440	\$ 2,199,273
Federal farm credit	9,328,634	-	6,293,324	3,035,310
FHLMC	1,505,370	1,505,370	-	-
Grand total	<u>\$ 21,026,157</u>	<u>\$ 6,514,810</u>	<u>\$ 9,276,764</u>	<u>\$ 5,234,583</u>

  

Security Description	2015			
	Fair Value	Less than One	Investment Maturities in Years	
			1 - 2	3 - 5
FHLB	\$ 13,943,045	\$ 2,250,778	\$ 7,010,530	\$ 4,681,737
Federal farm credit	6,720,908	476,929	6,243,979	-
FHLMC	999,890	999,890	-	-
Grand total	<u>\$ 21,663,843</u>	<u>\$ 3,727,597</u>	<u>\$ 13,254,509</u>	<u>\$ 4,681,737</u>

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### Note 3. Deposits and Investments (Continued)

**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.

**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, 2016, WRA's investments were rated as follows:

Security Description	Moody's	Standard & Poor's
Federal Farm Credit	Aaa	AA+
FHLB	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, 2016, WRA had invested 49 percent in FHLB, 7 percent in FHLMC and 44 percent Federal Farm Credit securities. As of June 30, 2015, WRA had invested 64 percent in FHLB, 5 percent in FHLMC and 31 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, 2016 and 2015, 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.

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

#### Note 3. Deposits and Investments (Continued)

As of June 30, 2016 and 2015, WRA's investments are unregistered and uninsured and held by the counter party's trust department or their agent in the name of WRA.

**Fair value:** During the fiscal year ending June 30, 2016 WRA adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which 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 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, 2016:

Security Description	2016			
	Fair Value	Level 1	Level 2	Level 3
FHLB	\$ 10,192,153	\$ -	\$ 10,192,153	\$ -
Federal farm credit	9,328,634	-	9,328,634	-
FHLMC	1,505,370	-	1,505,370	-
Grand total	<u>\$ 21,026,157</u>	<u>\$ -</u>	<u>\$ 21,026,157</u>	<u>\$ -</u>

  

Security Description	2015			
	Fair Value	Level 1	Level 2	Level 3
FHLB	\$ 13,943,045	\$ -	\$ 13,943,045	\$ -
Federal farm credit	6,720,908	-	6,720,908	-
FHLMC	999,890	-	999,890	-
Grand total	<u>\$ 21,663,843</u>	<u>\$ -</u>	<u>\$ 21,663,843</u>	<u>\$ -</u>

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 Financial Statements

#### Note 4. Capital Assets

The following tables show the changes in capital assets for the years ended June 30, 2016 and 2015:

	2016			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,196,291	\$ -	\$ -	\$ 9,196,291
Construction in progress	204,295,240	9,847,970	(85,832,910)	128,310,300
	<u>213,491,531</u>	<u>9,847,970</u>	<u>(85,832,910)</u>	<u>137,506,591</u>
Depreciable capital assets:				
Plant	237,387,328	32,708,959	-	270,096,287
Sewer system	279,440,939	38,447,081	(158,500)	317,729,520
Machinery and equipment	53,839,343	15,148,368	(3,339,400)	65,648,311
	<u>570,667,610</u>	<u>86,304,408</u>	<u>(3,497,900)</u>	<u>653,474,118</u>
Less accumulated depreciation:				
Plant	(94,490,412)	(6,974,665)	-	(101,465,077)
Sewer system	(55,906,410)	(6,124,275)	23,511	(62,007,174)
Machinery and equipment	(30,363,744)	(3,848,502)	3,336,055	(30,876,191)
	<u>(180,760,566)</u>	<u>(16,947,442)</u>	<u>3,359,566</u>	<u>(194,348,442)</u>
Net capital assets	<u>\$ 603,398,575</u>	<u>\$ 79,204,936</u>	<u>\$ (85,971,244)</u>	<u>\$ 596,632,267</u>
	2015			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,140,972	\$ 55,319	\$ -	\$ 9,196,291
Construction in progress	259,915,220	23,177,732	(78,797,712)	204,295,240
	<u>269,056,192</u>	<u>23,233,051</u>	<u>(78,797,712)</u>	<u>213,491,531</u>
Depreciable capital assets:				
Plant	221,560,256	16,841,802	(1,014,730)	237,387,328
Sewer system	222,723,835	56,717,104	-	279,440,939
Machinery and equipment	47,916,746	5,975,571	(52,974)	53,839,343
	<u>492,200,837</u>	<u>79,534,477</u>	<u>(1,067,704)</u>	<u>570,667,610</u>
Less accumulated depreciation:				
Plant	(89,262,095)	(5,944,602)	716,285	(94,490,412)
Sewer system	(50,733,776)	(5,172,634)	-	(55,906,410)
Machinery and equipment	(27,271,410)	(3,145,308)	52,974	(30,363,744)
	<u>(167,267,281)</u>	<u>(14,262,544)</u>	<u>769,259</u>	<u>(180,760,566)</u>
Net capital assets	<u>\$ 593,989,748</u>	<u>\$ 88,504,984</u>	<u>\$ (79,096,157)</u>	<u>\$ 603,398,575</u>

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to 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, 2016 and 2015:

	2016				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
SRF loans	\$ 2,105,000	\$ -	\$ (1,237,000)	\$ 868,000	\$ 425,000
Series 2006	935,000	-	(935,000)	-	-
Series 2013B	54,170,000	-	(1,765,000)	52,405,000	1,815,000
Series 2015E	32,020,000	-	(155,000)	31,865,000	1,075,000
New SRF loans	261,043,826	8,573,013	(7,923,000)	261,693,839	8,036,000
Subordinate SRF	1,007,904	2,328,123	-	3,336,027	-
Add premiums	4,063,121	-	(346,585)	3,716,536	-
Total revenue bonds, net	355,344,851	10,901,136	(12,361,585)	353,884,402	11,351,000
Accrued employee benefits	1,264,164	1,337,340	(1,289,014)	1,312,490	438,183
Total	\$ 356,609,015	\$ 12,238,476	\$ (13,650,599)	\$ 355,196,892	\$ 11,789,183

  

	2015				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
SRF loans	\$ 3,506,000	\$ -	\$ (1,401,000)	\$ 2,105,000	\$ 1,237,000
Series 2006	33,275,000	-	(32,340,000)	935,000	935,000
Series 2013B	55,880,000	-	(1,710,000)	54,170,000	1,765,000
Series 2015E	-	32,020,000	-	32,020,000	155,000
New SRF loans	249,125,074	17,554,752	(5,636,000)	261,043,826	7,432,000
Subordinate SRF	200,000	1,007,904	(200,000)	1,007,904	-
Add premiums	4,721,125	1,070,678	(1,728,682)	4,063,121	-
Total revenue bonds, net	346,707,199	51,653,334	(43,015,682)	355,344,851	11,524,000
Accrued employee benefits	1,316,727	1,046,814	(1,099,377)	1,264,164	429,770
Total	\$ 348,023,926	\$ 52,700,148	\$ (44,115,059)	\$ 356,609,015	\$ 11,953,770

**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 but will be refunded by issuing senior debt for the same construction project. Principal payments for bonds in the SRF program begin after construction is completed and the project is accepted by the WRA Board.

In December 2006, the WRA issued \$38,050,000 Series 2006 bonds for construction projects. The Series 2006 bonds were partially refunded in 2015 with the issuance of the Series 2015E bonds.

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. Proceeds were placed into an irrevocable trust with an escrow agent, and the series 2004B bonds were called in 2014.



## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### **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. The WRA completed the advance refunding to reduce its total debt service payments by \$6,312,996 and an economic gain (difference between the present values of the old and new debt service payments) of \$4,300,391.

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, 2016 and June 30, 2015 totaled \$8,573,013 and \$17,554,752, respectively. During fiscal years 2016 and 2015, WRA also issued \$2,328,123 and \$1,007,904, respectively, subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2016.

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 \$28,479,682 and \$28,424,000 as of June 30, 2016 and 2015, 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 Financial Statements

#### Note 5. Employee Benefits and Revenue Bonds (Continued)

The following tables show the detail of revenue bonds payable.

2016						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2016
SRF 7	12/1/2004	*	6/1/2018	3	N/A	\$ 868,000
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	3	\$ 16,520,000	14,157,000
2008 B	6/4/2008	6,575,000	6/1/2038	3	6,575,000	5,633,000
2008 D	6/4/2008	2,650,000	6/1/2038	3	2,332,000	2,192,000
2009 B	3/18/2009	8,400,000	6/1/2039	3	8,400,000	7,236,000
2009 C	7/5/2009	9,200,000	6/1/2039	3	9,200,000	7,925,000
2010 A	5/12/2010	8,500,000	6/1/2040	3	8,500,000	7,534,000
2010 B	5/12/2010	7,000,000	6/1/2040	3	7,000,000	6,204,000
2010 C1	6/30/2010	2,000,000	6/1/2032	3	2,000,000	1,996,000
2010 C2	6/30/2010	21,500,000	6/1/2032	3	21,384,582	17,807,583
2011 A	5/25/2011	60,000,000	6/1/2042	3	60,000,000	56,046,000
2011 B	3/23/2011	16,000,000	6/1/2041	3	15,890,000	14,460,000
2011 C	5/25/2011	9,600,000	6/1/2041	3	9,600,000	8,741,000
2011 D	12/2/2011	15,470,000	6/1/2043	3	15,232,126	14,553,476
2012 B	5/16/2012	2,772,000	6/1/2042	3	2,772,000	2,588,000
2012 C	5/16/2012	18,000,000	6/1/2043	3	18,000,000	17,221,000
2012 D	5/16/2012	7,000,000	6/1/2042	3	7,000,000	6,537,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,473	11,639,474
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,362,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.75	24,200,000	23,602,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	7,422,000
2013 B	5/2/2013	56,420,000	6/1/2034	2 to 4	N/A	52,405,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,651,000
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	4,548,880
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	5,736,000
2015A	1/30/2015	9,300,000	6/1/2035	1.75	8,252,287	7,869,287
2015B	1/30/2015	370,000	6/1/2034	1.75	370,000	314,732
2015C	1/30/2015	1,600,000	6/1/2035	1.75	1,600,000	1,534,000
2015D	1/30/2015	3,000,000	1/30/2018	0	2,601,776	2,601,776
2015E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	31,865,000
2016A	2/5/2016	8,000,000	6/1/2035	1.75	5,618,408	5,183,408
2016B	4/1/2016	1,000,000	4/1/2019	0	281,685	281,685
2016C	4/1/2016	750,000	4/1/2019	0	452,565	452,565
<b>Balance due</b>						<b>350,167,866</b>
Amount due within one year						11,351,000
Long-term revenue bonds payable						<u><u>\$ 338,816,866</u></u>

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

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### Note 5. Employee Benefits and Revenue Bonds (Continued)

The outstanding revenue bonds mature as follows:

Fiscal year:	Principal	Interest
2017	\$ 11,351,000	\$ 10,465,694
2018	14,748,341	10,130,049
2019	11,899,685	9,782,849
2020	12,265,000	9,419,984
2021	12,920,000	9,048,072
2022 - 2026	70,696,000	39,287,783
2027 - 2031	81,726,000	28,330,306
2032 - 2036	73,025,890	15,476,785
2037 - 2041	49,582,000	5,875,310
2042 - 2045	11,953,950	482,375
	<u>\$ 350,167,866</u>	<u>\$ 138,299,207</u>

#### Note 6. Commitments and Contingencies

**Construction contracts:** WRA has signed construction contracts with remaining commitments of approximately \$6,186,000 as of June 30, 2016. 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, 2016 and 2015 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, 2016 and 2015. Contribution requirements are established by State statute. The WRA's direct allocation of the contribution to IPERS for the years ended June 30, 2016, 2015, and 2014 were approximately \$612,000, \$595,000 and \$579,000, respectively, equal to the required contributions for each year.

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

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#### Note 9. Other Postemployment Benefits

**Plan description:** Des Moines has a single-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. The plan does not issue a publicly available financial report.

**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 postemployment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 43 for current GASB reporting. The required contribution is based on projected pay-as-you-go financing. For fiscal years 2016 and 2015, WRA contributed \$61,519 and \$22,307, 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 WRA's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the WRA's annual OPEB obligation for the years ended June 30, 2016 and 2015:

	2016	2015
Annual required contribution	\$ 82,765	\$ 86,140
Interest on net OPEB obligation	15,561	12,730
Adjustment to annual required contribution	(21,228)	(17,060)
Annual OPEB cost (expense)	77,098	81,810
Contributions and payments made	61,519	22,307
Increase in net OPEB obligation	15,579	59,503
Net OPEB obligation, beginning of year	345,789	286,286
Net OPEB obligation, end of year	<u>\$ 361,368</u>	<u>\$ 345,789</u>

## Des Moines Metropolitan Wastewater Reclamation Authority

### Notes to Financial Statements

#### Note 9. Other Postemployment Benefits (Continued)

WRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015 and 2014 follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 77,098	79.8%	\$ 361,368
June 30, 2015	81,810	27.3	345,789
June 30, 2014	86,800	26.8	286,286

**Funding status and funding progress as of June 30, 2016:** As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. WRA's actuarial accrued liability for benefits was \$776,075 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of (\$776,075). The covered payroll (annual payroll of active employees covered by the plan) was \$6,455,654 and the ratio of the UAAL to the covered payroll was 12 percent.

**Funding status and funding progress as of June 30, 2015:** As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. WRA's actuarial accrued liability for benefits was \$598,220 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of (\$598,220). The covered payroll (annual payroll of active employees covered by the plan) was \$6,655,131 and the ratio of the UAAL to the covered payroll was 9.0 percent.

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. There are no plan assets.

**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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2015 and 2013 actuarial valuation, project unit credit method was used. The actuarial assumptions in both valuations included a 4.5 percent discount rate, an inflation rate of 3 percent and an annual health care cost trend rate of 9.0 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

### Notes to Financial Statements

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#### Note 10. New Pronouncements

As of June 30, 2016, the GASB has issued several statements not yet implemented by WRA. The statements which may impact WRA are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the WRA beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the WRA beginning with its fiscal year ending June 30, 2017. Statement No. 78 provides guidance to governments that participate in certain private or federally sponsored multiple-employer defined benefit pension plans. This Statement assists these governments by focusing employer accounting and financial reporting requirements for those pension plans on obtainable information. In lieu of the existing requirements under Statement 68, the new guidance establishes separate requirements for employers that participate in these pension plans. This Statement establishes the criteria for identifying the applicable pension plans and addresses: (a) measurement and recognition of pension liabilities, expense, and expenditures; (b) note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and (c) required supplementary information presenting required contribution amounts for the past 10 fiscal years.

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.

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

## **Des Moines Metropolitan Wastewater Reclamation Authority**

### **Notes to Financial Statements**

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#### **Note 11. Subsequent Events**

On October 18, 2016 the WRA's Board authorized the issuance of \$220,000 sewer revenue bonds, Subordinate Series 2016D. On November 15, 2016, the WRA's Board authorized the issuance of \$660,000 sewer revenue bonds, Series 2016E and \$40,000,000 sewer revenue bonds, Series 2016F. On November 15, 2016, the WRA's Board amended a resolution approving sewer revenue bonds, Series 2015C, to increase draw capacity on the bonds from \$1,600,000 to \$1,744,000. On November 15, 2016, the WRA's Board amended a resolution approving sewer revenue bonds, Series 2015A, to increase draw capacity on the bonds from \$9,300,000 to \$10,080,000. The bond issuances and amendments are for the purpose of constructing, equipping, installing and extending certain facilities and improvements to the WRA system.

**Des Moines Metropolitan Wastewater Reclamation Authority**

**Required Supplementary Information  
Other Postemployment Benefit Plan**

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 Percentage of Covered Payroll [(b-a)/c]
2014	7/1/2013	\$ -	\$ 598,220	\$ 598,220	- %	\$ 6,483,628	9.2%
2015	7/1/2013	-	598,220	598,220	-	6,655,131	9.0
2016	7/1/2015	-	776,075	776,075	-	6,455,654	12.0

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2015. Additional information follows:

1. The cost method used to determine the ARC is the Project Unit Credit Actuarial Cost Method.
2. The amortization method is level dollar, over thirty years based on an open group
3. Economic assumptions are as follows: health care cost trend rates of 9.0 percent reduced by decrements of .5 percent annually to an ultimate rate of 5.0 percent; discount rate of 4.5 percent; and inflation rate of 3 percent.