Des Moines Metropolitan
Wastewater Reclamation Authority

Financial Report

For the years ended June 30, 2012 and 2011

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

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McGladrey

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, 2012 and 2011, 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and other postemployment benefit plan schedule of funding progress on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) 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.

McGladrey LLP

Des Moines, Iowa
December 7, 2012

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, 2012 and 2011.

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 three components: 1) basic financial information, 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 assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows, followed by notes to the financial statements and required supplementary information.

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.

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 $277,087,472, $270,771,824 and $265,572,655 as of June 30, 2012, 2011 and 2010, respectively. At June 30, 2012, 2011, and 2010, the WRA showed $15,552,879, $19,194,029 and $16,345,281, respectively, as unrestricted assets, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2012, 2011 and 2010, the WRA's cash provided by operating activities was $21,936,916, $18,780,729 and $18,221,948, 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 2012, the WRA's net assets increased $6,315,648 from 2011. In 2011, the WRA's net assets increased $5,199,169 from 2010.

Table 1

	2012	2011	2010
Assets			
Current and other assets	$ 74,149,027	$ 82,162,332	$ 78,534,793
Capital assets	477,361,227	424,657,393	373,446,447
Total assets	551,510,254	506,819,725	451,981,240
Liabilities			
Current liabilities	20,213,731	23,819,269	21,658,544
Non-current liabilities	254,209,051	212,228,632	164,750,041
Total liabilities	274,422,782	236,047,901	186,408,585
Net assets			
Invested in capital assets, net	232,900,930	221,177,295	219,333,909
Restricted assets	28,633,663	30,400,500	29,893,465
Unrestricted assets	15,552,879	19,194,029	16,345,281
Total net assets	$ 277,087,472	$ 270,771,824	$ 265,572,655

The increase in net assets during the years ended June 30, 2012, 2011 and 2010 is primarily the result of cash collected for capital assets and debt servicing.

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

Highlights of the WRA's revenues and expenses for the years ended June 30, 2012, 2011 and 2010 are presented in Table 2:

Table 2

	2012	2011	2010
Operating Revenues			
Charges for sales and services	$ 38,280,784	$ 36,912,893	$ 33,869,612
Operating Expenses:			
Cost of sales and services	17,383,794	17,057,300	16,228,052
Depreciation	11,567,531	11,447,651	10,356,787
Total operating expenses	28,951,325	28,504,951	26,584,839
Operating Income	9,329,459	8,407,942	7,284,773
Nonoperating Revenues (Expenses):			
Investment earnings	69,412	348,767	717,108
Gain on disposal of capital assets	16,951	34,769	6,657
Interest expense	(4,136,979)	(4,197,842)	(3,817,867)
Other, including insurance recoveries	328,696	356,264	1,155,192
Nonoperating (loss)	(3,721,920)	(3,458,042)	(1,938,910)
Capital grants and contributions	708,109	249,269	277,305
Change in net assets	$ 6,315,648	$ 5,199,169	$ 5,623,168

Total revenues were $39,403,952 and total expenses were $33,088,303 for the year ended June 30, 2012. 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. The WRA's net operating income was $9,329,459 for the year ended June 30, 2012, $8,407,942 for the year ended June 30, 2011, and $7,284,773 for the year ended June 30, 2010.

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, 2012, 2011 and 2010 was $33,637,959, $32,095,194 and $32,060,286, respectively.

Capital Assets

Capital assets (net) increased by $52,703,834 in 2012, $51,210,946 in 2011 and $22,287,451 in 2010. 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.

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 this year. 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 (IFA) Iowa Finance Authority's 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.

The WRA authorized and issued $42,372,000 debt in 2012. The proceeds were used to retire/refund subordinate debt issue Series 2008E and to fund construction improvement projects and additions to the WRA System. In 2011, the WRA authorized and issued $85,600,000 debt; between 2008 and 2010, the WRA authorized $82,345,000 SRF debt (senior revenue bonds). Since 2004, the WRA has authorized $342,047,000 of new debt.

Revenue bonds payable increased by $40,075,552 in 2012, $44,592,091 in 2011 and $16,931,858 in 2010. 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 $69,412, $348,767, and $717,108 for the years ended June 30, 2012, 2011 and 2010, 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, 400 Robert D. Ray Drive, Des Moines, Iowa 50309.

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

JUNE 30, 2012 and 2011

Statements of Net Assets

ASSETS

	2012	2011
Current assets:		
Unrestricted current assets:		
Cash and pooled cash investments	$ 20,923,892	$ 16,174,515
Accounts receivable	762,501	962,464
Interest receivable	12,928	203,962
Due from other governmental units	5,751,667	15,450,243
Unrestricted current assets	27,450,988	32,791,184
Restricted current assets:		
Cash and pooled cash investments	5,207,390	3,013,220
Investments	14,629,020	16,651,840
Restricted current assets	19,836,410	19,665,060
Total current assets	47,287,398	52,456,244
Non-current assets:		
Unamortized bond issue costs	3,159,439	2,832,768
Restricted non-current assets:		
Cash and pooled cash investments	8,724,010	1,331,036
Investments	14,978,180	25,542,284
Capital assets:		
Land	8,920,652	8,491,721
Construction in progress	163,256,377	113,088,598
Plant	221,499,249	219,317,449
Sewer system	183,055,868	173,964,059
Machinery and equipment	43,287,133	40,940,279
	620,019,279	555,802,106
Less accumulated depreciation	142,658,052	131,144,713
Capital assets, net	477,361,227	424,657,393
Total non-current assets	504,222,856	454,363,481
TOTAL ASSETS	$ 551,510,254	$ 506,819,725

LIABLILITIES AND NET ASSETS

		2012		2011
Current liabilities:				
Accounts payable	$	886,913	$	534,824
Accrued wages payable		185,672		382,085
Accrued employee benefits		446,255		385,424
Contracts payable		8,400,561		10,292,274
Due to other governmental units		3,441,246		3,234,595
Revenue bonds payable		6,077,000		8,312,079
Accrued interest payable		776,084		677,988
Total current liabilities		20,213,731		23,819,269
Non-current liabilities:				
Accrued employee benefits		742,985		780,489
Other postemployment benefits		177,832		142,244
Revenue bonds payable		248,751,699		206,441,068
Unamortized bond premium		4,536,535		4,864,831
Total non-current liabilities		254,209,051		212,228,632
TOTAL LIABILITIES	$	274,422,782	$	236,047,901
Net assets:				
Investment in capital assets, net of related debt	$	232,900,930	$	221,177,295
Restricted		28,633,663		30,400,500
Unrestricted		15,552,879		19,194,029
TOTAL NET ASSETS	$	277,087,472	$	270,771,824

See accompanying notes to basic financial statements.

Statements of Revenues, Expenses, and Changes in Net Assets

	2012	2011
Operating Revenues:		
Charges for sales and services	$ 38,280,784	$ 36,912,893
Total operating revenues	38,280,784	36,912,893
Operating Expenses:		
Salary and personal services	8,477,688	8,352,182
Contractual services	7,116,455	7,150,390
Commodities	1,789,651	1,554,728
Depreciation	11,567,531	11,447,651
Total operating expenses	28,951,325	28,504,951
Operating Income	9,329,459	8,407,942
Non-operating revenues (expenses):		
Investment earnings	69,412	348,767
Amortization of bond premium	328,296	344,112
Gain on disposal of capital assets	16,951	34,769
Interest expense	(4,136,979)	(4,197,842)
Other	400	12,152
Total non-operating (expenses)	(3,721,920)	(3,458,042)
Income before capital grants and contributions	5,607,539	4,949,900
FEMA recovery contributions	133,130	166,044
Capital grants and contributions	574,979	83,225
Total capital grants and contributions	708,109	249,269
Change in net assets	6,315,648	5,199,169
Net assets, beginning of year	270,771,824	265,572,655
Net assets, end of year	$ 277,087,472	$ 270,771,824

See accompanying notes to basic financial statements.

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Statements of Cash Flow

	2012	2011
Cash flows from operating activites:		
Receipts from users	$ 39,127,772	$ 36,143,425
Payments to employees	(8,615,186)	(8,275,345)
Payments to suppliers	(8,575,670)	(9,087,351)
Net cash provided by operating activities	21,936,916	18,780,729
Cash flows from investing activities:		
Investment earnings	97,892	1,258,063
Purchase of investments	(29,966,173)	(46,261,713)
Sales of investments	42,715,651	48,797,887
Net cash provided by investing activities	12,847,370	3,794,237
Cash flows from capital and related financing activities:		
Purchase of capital assets	(60,872,115)	(53,781,284)
Receipts from sale of capital assets	16,951	87,916
Other	400	12,152
Receipts from SRF drawdowns	57,779,592	44,953,175
Grant payments received	708,109	83,225
Principal payments on revenue bonds	(8,652,489)	(11,167,000)
Interest payments on revenue bonds	(8,951,410)	(7,310,997)
Payment of bond issuance costs	(476,803)	(952,308)
Net cash (used in) capital and related financing activities	(20,447,765)	(28,075,121)
Increase (decrease) in cash and pooled cash investments	14,336,521	(5,500,155)
Cash and pooled cash investments, beginning of year	20,518,771	26,018,926
Cash and pooled cash investments, end of year	$ 34,855,292	$ 20,518,771
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 9,329,459	$ 8,407,942
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,567,531	11,447,651
(Increase) decrease in accounts receivable	199,963	(287,735)
(Increase) decrease in due from other governmental units	647,025	(481,733)
Increase (decrease) in accounts payable and due to other governmental units	330,436	(382,234)
Increase (decrease) in accrued wages payable	(196,413)	30,199
Increase (decrease) in accrued employee benefits	23,327	(724)
Increase in other postemployment benefits	35,588	47,363
Net cash provided by operating activites	$ 21,936,916	$ 18,780,729
Noncash investing activities:		
Net appreciation (depreciation) in fair value of investments	162,553	(242,760)
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	8,400,561	10,292,274
Amounts in due from other governmental units for SRF draws	5,246,676	14,298,227
Increase in due to other governmental units for construction in progress	228,304	30,489
Amounts of interest expense capitalized to new assets	5,062,659	3,349,711

See accompanying notes to basic financial statements.

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 WRA Facility 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.

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 42% and 44% and the City of West Des Moines provided 12% and 11% of operating revenues for the years ended June 30, 2012 and 2011, 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.

Investments – Des Moines 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 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) guidance issued on or before November 30, 1989, except for those that 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 $76,000 and $73,350 at June 30, 2012 and 2011, respectively. There were no write offs during years ended June 30, 2012 and 2011.

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, 2012 and 2011, the amount due from Iowa Finance Authority (SRF Program) was approximately $5,246,700 and $14,298,200, respectively. The WRA 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 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 2012 and 2011, approximately $5,062,700 and $3,349,700 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, 2012 and 2011 were $14,904,937 and $16,137,880, 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 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 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 2012 and 2011, the WRA contributed $129,000 and $126,000, 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.

Reclassification – Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation with no effect on net assets or change in net assets.

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 $8,477,700, and $8,352,200 in 2012 and 2011 for employees working for the WRA system.

During the years ended June 30, 2012 and 2011, WRA paid allocations of $1,041,900 (23%) and $1,110,200 (24%) to Des Moines for shared expenses relating to pumping stations maintenance.

3. DEPOSITS AND INVESTMENTS

As of June 30, 2012 and 2011, the WRA had the following investments and maturities:

2012 Security Description	Current Market Value	Investment Maturities (in Years) Less than One	1-2	3-5	More than Five
FHLB total	$ 18,630,505	$ 1,700,111	$ 16,930,394	$ -	$ -
FNMA total	1,488,305	-	1,488,305	-	-
Federal Farm Credit total	1,520,205	-	1,520,205	-	-
FHLMC total	7,968,185	-	7,968,185	-	-
Grand total	$ 29,607,200	$ 1,700,111	$ 27,907,089	$ -	$ -

2011 Security Description	Current Market Value	Investment Maturities (in Years) Less than One	1-2	3-5	More than Five
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	$ 42,194,124	$ 13,837,332	$ 26,354,272	$ 2,002,520	$ -

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 the 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.

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, 2012, the WRA's investments were rated as follows:

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

Concentration of Credit Risk – The WRA's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the WRA to meet all anticipated cash requirements. The policy limits investments in order to avoid over-concentration in securities of a specific issuer. No more than 10% 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, 2012, the WRA has invested 63% FHLB, 27% in FHLMC, 5% in FNMA, and 5% Federal Farm Credit securities. 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.

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. All deposits are covered by federal depository insurance or collateralized by the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa. As of June 30, 2012 and 2011, 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, 2012 and 2011, 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.

4. CAPITAL ASSETS

The following tables show the changes in capital assets.

2012	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Non-depreciable capital assets:				
Land	$ 8,491,721	$ 428,931	$ -	$ 8,920,652
Construction in progress	113,088,598	63,888,727	(13,720,948)	163,256,377
	121,580,319	64,317,658	(13,720,948)	172,177,029
Depreciable capital assets:				
Plant	219,317,449	2,181,800		221,499,249
Sewer system	173,964,059	9,091,809	-	183,055,868
Machinery & equipment	40,940,279	2,401,046	(54,192)	43,287,133
	434,221,787	13,674,655	(54,192)	447,842,250
Less accumulated depreciation:				
Plant	(73,481,723)	(5,006,144)	-	(78,487,867)
Sewer system	(38,916,175)	(3,384,100)	-	(42,300,275)
Machinery & equipment	(18,746,815)	(3,177,287)	54,192	(21,869,910)
	(131,144,713)	(11,567,531)	54,192	(142,658,052)
Net capital assets	$ 424,657,393	$ 66,424,782	$ (13,720,948)	$ 477,361,227

2011	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Non-depreciable capital assets:				
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
	67,017,324	64,981,254	(10,418,259)	121,580,319
Depreciable capital assets:				
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
	426,387,042	8,148,750	(314,005)	434,221,787
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)
	(119,957,919)	(11,447,652)	260,858	(131,144,713)
Net capital assets	$ 373,446,447	$ 61,682,352	$ (10,471,406)	$ 424,657,393

5. EMPLOYEE BENEFITS & LONG-TERM DEBT

The following tables show the changes in long-term debt and employee benefits.

2012

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
SRF Loans	$ 7,373,000	$ -	$ (1,234,000)	$ 6,139,000	1,289,000
Series 2004A	2,735,000	-	(2,735,000)	-	-
Series 2004B	61,245,000	-	(1,220,000)	60,025,000	1,265,000
Series 2006	35,795,000	-	(810,000)	34,985,000	840,000
New SRF Loans	106,537,068	48,370,206	(1,245,000)	153,662,274	2,683,000
Subordinate SRF	1,068,079	357,835	(1,408,489)	17,425	-
Rev Bond Total	214,753,147	48,728,041	(8,652,489)	254,828,699	6,077,000
Accrued employee benfits	1,165,913	999,596	(976,269)	1,189,240	446,255
	$ 215,919,060	$ 49,727,637	$ (9,628,758)	$ 256,017,939	$ 6,523,255

2011

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Series 2006	$ 36,575,000	$ -	$ (780,000)	$ 35,795,000	810,000
Series 2004A	5,965,000	-	(3,230,000)	2,735,000	2,735,000
Series 2004B	62,430,000	-	(1,185,000)	61,245,000	1,220,000
SRF Loans	8,557,000	-	(1,184,000)	7,373,000	1,234,000
New SRF Loans	51,944,427	55,480,641	(888,000)	106,537,068	1,245,000
Subordinate SRF	4,689,629	278,450	(3,900,000)	1,068,079	1,068,079
Rev Bond Total	170,161,056	55,759,091	(11,167,000)	214,753,147	8,312,079
Accrued employee benefits	1,166,637	904,472	(905,196)	1,165,913	385,424
	$ 171,327,693	$ 56,663,563	$ (12,072,196)	$ 215,919,060	$ 8,697,503

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 accepted by the WRA Board.

In November 2004 as a result of the amended and restated 28E agreement, the WRA issued $26,850,000 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. Series 2004A was retired in 2012.

In November 2004, the WRA also issued $66,830,000 Series 2004B for construction projects. In December 2004, the WRA assumed debt for WRA projects previously issued in City of Des Moines' name. 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 and are included in WRA's debt payable.

In December 2006, the WRA issued $38,050,000 Series 2006 bonds for construction projects.

In February 2008, the WRA began the process to issue bonds under the state revolving loan program 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 papyments on the bonds beginning after completion of the construction.

Bonds issued during the years ended June 30, 2012 and June 30, 2011 totaled $42,172,000 and $85,600,000, respectively. During fiscal year 2012, the WRA also issued $200,000 subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2013.

The state revolving loans require the WRA to produce and maintain net revenues at a level not less that 110% 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 $28,633,663 and $30,400,500 as of June 30, 2012 and 2011, 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% interest. The payments are equal to 35% of the interest paid; the net interest rate is 1.95%.

The following tables show the detail of revenue bonds payable.

2012

Series	Date Issued or Assumed	WRA Par Amount Authorized	Maturity Date	Interest Rates	New SRF only Amount Drawn	Amount Outstanding June 30, 2012
SRF 4	01 December 2004	*	6/1/2015	3%	n/a	$629,000
SRF 6	01 December 2004	*	6/1/2016	3%	n/a	3,106,000
SRF 7	01 December 2004	*	6/1/2018	3%	n/a	2,404,000
2004 A	20 November 2004	$26,850,000	6/1/2012	3% to 5%	n/a	0
2004 B	20 November 2004	66,830,000	6/1/2034	3% to 5%	n/a	60,025,000
2006	19 December 2006	38,050,000	6/1/2036	3.75% to 5%	n/a	34,985,000
2008 A	04 June 2008	16,520,000	6/1/2039	3%	16,520,000	15,778,000
2008 B	04 June 2008	6,575,000	6/1/2039	3%	6,575,000	6,279,000
2008 D	04 June 2008	2,650,000	6/1/2038	3%	2,332,000	2,328,000
2009 B	18 March 2009	8,400,000	6/1/2039	3%	8,400,000	8,036,000
2009 C	05 July 2009	9,200,000	6/1/2039	3%	9,200,000	8,801,000
2010 A	12 May 2010	8,500,000	6/1/2040	3%	8,500,000	8,318,000
2010 B	12 May 2010	7,000,000	6/1/2040	3%	7,000,000	6,850,000
2010 C1	30 June 2010	2,000,000	6/1/2032	3%	2,000,000	2,000,000
2010 C2	30 June 2010	21,500,000	6/1/2032	3%	13,757,671	13,757,671
2011 A	25 May 2011	60,000,000	6/1/2042	3%	35,712,617	35,712,617
2011 B	23 March 2011	16,000,000	6/1/2041	3%	15,356,819	15,355,819
2011 C	25 May 2011	9,600,000	6/1/2041	3%	9,580,369	9,579,369
2011 D	21 December 2011	14,400,000	6/1/2043	3%	8,615,177	8,615,177
2012 A	16 May 2012	200,000	5/2/2015	0%	17,425	17,425
2012 B	16 May 2012	2,772,000	6/1/2042	3%	2,701,929	2,701,929
2012 C	16 May 2012	18,000,000	6/1/2043	3%	9,201,315	9,201,315
2012 D	16 May 2012	7,000,000	6/1/2042	3%	348,377	348,377
	Amount authorized to date	$ 342,047,000				$ 254,828,699
					Amount due within one year	6,077,000
					Long term revenue bonds payable	$ 248,751,699

* Series SRF 4,6,7 were assumed, not issued therefore, they are not included in the computation of WRA's bonding authority under the Amended and Restated 28E Agreement.

2011

Series	Date Issued or Assumed	WRA Par Amount Authorized	Maturity Date	Interest Rates	New SRF only Amount Drawn	Amount Outstanding June 30, 2011
SRF 4	01 December 2004	*	6/1/2015	3%	n/a	$823,000
SRF 6	01 December 2004	*	6/1/2016	3%	n/a	3,800,000
SRF 7	01 December 2004	*	6/1/2018	3%	n/a	2,750,000
2004 A	20 November 2004	26,850,000	6/1/2012	3% to 5%	n/a	2,735,000
2004 B	20 November 2004	66,830,000	6/1/2034	3% to 5%	n/a	61,245,000
2006	19 December 2006	38,050,000	6/1/2036	3.75% to 5%	n/a	35,795,000
2008 A	04 June 2008	16,520,000	6/1/2039	3%	16,520,000	16,154,000
2008 B	04 June 2008	6,575,000	6/1/2039	3%	5,658,043	5,512,043
2008 D	04 June 2008	2,650,000	6/1/2038	3%	2,332,000	2,329,000
2008 E	04 June 2008	1,461,720	7/1/2011	0%	1,068,079	1,068,079
2009 B	18 March 2009	8,400,000	6/1/2039	3%	7,997,337	7,817,337
2009 C	05 July 2009	9,200,000	6/1/2039	3%	9,200,000	9,003,000
2010 A	12 May 2010	8,500,000	6/1/2040	3%	8,434,195	8,433,195
2010 B	12 May 2010	7,000,000	6/1/2040	3%	7,000,000	6,999,000
2010 C1	30 June 2010	2,000,000	6/1/2032	3%	2,000,000	2,000,000
2010 C2	30 June 2010	21,500,000	6/1/2032	3%	8,341,009	8,341,009
2011 A	25 May 2011	60,000,000	6/1/2042	3%	18,353,457	18,353,457
2011 B	23 March 2011	16,000,000	6/1/2041	3%	14,834,151	14,834,151
2011 C	25 May 2011	9,600,000	6/1/2041	3%	6,760,876	6,760,876
						$ 214,753,147
					Amount due within one year	8,312,079
					Long term revenue bonds payable	$ 206,441,068

The outstanding revenue bonds mature as follows:

Fiscal Year	Principal	Interest
2013	6,077,000	10,034,068
2014	7,743,425	10,244,755
2015	8,747,000	9,818,350
2016	8,849,000	9,463,840
2017	8,254,377	9,193,180
2018-2022	44,262,000	40,637,941
2023-2027	51,522,670	31,619,507
2028-2032	57,401,000	22,136,592
2033-2037	47,981,177	10,127,730
2038-2043	13,991,050	896,880
	254,828,699	154,172,843

6. COMMITMENTS AND CONTINGENCIES

Construction Contracts - The WRA has signed construction contracts with remaining commitments of approximately $82,488,200 and $61,825,900 as of June 30, 2012 and 2011, respectively. 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 $3,411,300 and $3,699,500 as of June 30, 2012 and 2011, 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.

7. 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, 2012 and 2011, none and $240,000, respectively, bonds outstanding are considered defeased, respectively.

8. 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 did not exceed commercial coverage in the past three years.

Des Moines is self-insured for medical benefits. The 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.

9. 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 for the years ended June 30, 2012 and 2011 are required to contribute 5.78% and 4.50%, respectively, of their annual covered salary and the WRA is required to contribute 8.67% and 6.95%, respectively, of annual payroll for the years ended June 30, 2012 and 2011. Contribution requirements are established by State statute. The WRA's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were $465,000, $401,000, and $376,000, respectively, equal to the required contributions for each year.

10. 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 2012 and 2011, the WRA contributed $45,414 and $28,446, 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:

	2012	2011
Annual required contribution	$ 83,334	$ 74,430
Interest on net OPEB obligation	6,401	4,270
Adjustment to annual required contribution	(8,733)	(2,891)
Annual OPEB cost (expense)	81,002	75,809
Contributions and payments made	45,414	28,446
Increase in net OPEB obligation	35,588	47,363
Net OPEB obligation, beginning of year	142,244	94,881
Net OPEB obligation, end of fiscal year	$ 177,832	$ 142,244

The WRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 follows:

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 81,002	56.1%	$ 177,832
June 30, 2011	$ 75,809	37.5%	$ 142,244
June 30, 2010	$ 73,658	35.1%	$ 94,881

Funding status and funding progress – As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. The WRA's actuarial accrued liability for benefits was $604,122 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of $(604,122). The covered payroll (annual payroll of active employees covered by the plan) was $5,788,000 in 2012. The ratio of the UAAL to the covered payroll was 10.4% in 2012.

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, 2011 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 9.0 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.

11. NEW PRONOUNCEMENTS

As of June 30, 2012, 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. 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.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the WRA beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the WRA beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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

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]
2012	7/1/2011	$ -	$ 604,122	$ 604,122	0.0%	$ 5,788,000	10.4%
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%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2011. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost Method.
2. The amortization method is open, level dollar.
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.