

Des Moines Metropolitan Wastewater Reclamation Authority

Financial Report
June 30, 2014

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Independent Auditor's Report

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, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the WRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Des Moines Metropolitan Wastewater Reclamation Authority, as of June 30, 2014 and 2013, 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 26 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.

McGladrey LLP

Des Moines, Iowa
December 5, 2014

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2014 and 2013

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, 2014 and 2013.

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 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 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 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, 2014 and 2013

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 \$285,127,906, \$279,492,186 and \$273,928,033 as of June 30, 2014, 2013 and 2012, respectively. At June 30, 2014, 2013 and 2012, the WRA showed \$5,909,642, \$11,988,103 and \$12,393,440, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2014, 2013 and 2012, the WRA's cash provided by operating activities was \$23,462,137, \$16,506,963 and \$21,936,916, 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 2014, the WRA's net position increased \$5,635,720 from 2013. In 2013, the WRA's net position increased \$5,564,153 from 2012.

Table 1

	2014	2013	2012
Assets			
Current and other assets	\$ 47,654,345	\$ 66,377,443	\$ 70,989,588
Capital assets	593,989,748	552,957,465	477,361,227
Total assets	641,644,093	619,334,908	548,350,815
Deferred outflows of resources			
Deferred charge on refunding	1,099,708	1,186,672	-
Liabilities			
Current liabilities	19,589,030	26,615,936	20,213,731
Noncurrent liabilities	338,026,865	314,413,458	254,209,051
Total liabilities	357,615,895	341,029,394	274,422,782
Net position			
Net investment in capital assets	250,774,589	239,201,658	232,900,930
Restricted assets	28,443,675	28,302,425	28,633,663
Unrestricted assets	5,909,642	11,988,103	12,393,440
Total net position	\$285,127,906	\$279,492,186	\$273,928,033

The increase in net position during the years ended June 30, 2014, 2013 and 2012 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, 2014 and 2013

Highlights of the WRA's revenues and expenses for the years ended June 30, 2014, 2013 and 2012 are presented in Table 2:

	2014	2013	2012
Operating revenues, charges for sales and services	\$ 40,827,063	\$ 38,074,851	\$ 38,280,784
Operating expenses:			
Cost of sales and services	18,304,901	17,249,600	17,383,794
Depreciation	13,738,962	12,021,733	11,567,531
Total operating expenses	32,043,863	29,271,333	28,951,325
Operating income	8,783,200	8,803,518	9,329,459
Nonoperating revenues (expenses):			
Investment earnings	136,702	207,678	69,412
Amortization	279,634	1,359,720	328,696
Gain (loss) on disposal of capital assets	36,363	(23,926)	16,951
Interest and bond issuance expense	(3,644,355)	(5,073,294)	(4,463,650)
Nonoperating (loss)	(3,191,656)	(3,529,822)	(4,048,591)
Capital grants and contributions	44,176	290,457	708,109
Change in net position	\$ 5,635,720	\$ 5,564,153	\$ 5,988,977

Total revenues were \$41,044,304 and total expenses were \$35,408,584 for the year ended June 30, 2014. Total revenues were \$38,572,986 and total expenses were \$33,008,833 for the year ended June 30, 2013. Total revenues were \$39,075,256 and total expenses were \$33,086,279 for the year ended June 30, 2012. The WRA's net operating income was \$8,783,200 for the year ended June 30, 2014, \$8,803,518 for the year ended June 30, 2013 and \$9,329,459 for the year ended June 30, 2012.

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, 2014, 2013 and 2012 was \$36,572,885, \$33,399,626 and \$33,637,959, respectively.

Capital assets

Capital assets (net) increased by \$41,032,283 in 2014, \$75,596,238 in 2013 and \$52,703,834 in 2012. Bond proceeds provided funding for the long-term construction commitments to accommodate the anticipated population growth in the metro area with improvements to the wastewater facility and the conveyance system in compliance with the 2004 Facility Plan and the 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 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2014 and 2013

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 ending June 30, 2014, the WRA issued \$13,200,000 in debt. The proceeds were used to fund construction improvement projects and additions to the WRA System. In fiscal year ended June 30, 2013, the WRA issued \$99,848,000 of debt. The proceeds were used to retire/refund Series 2004B sewer revenue bonds and to fund construction improvement projects and additions to the WRA System. The WRA 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 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.

Revenue bonds payable increased by \$25,387,957 in 2014, \$61,769,418 in 2013 and \$40,075,552 in 2012. Please refer to Note 5 for more information on the WRA's long-term debt.

Economic factors

Interest rates have declined in recent years. Investment earnings were \$136,702, \$207,678 and \$69,412 for the years ended June 30, 2014, 2013 and 2012, 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 Robert D. Ray Drive, Des Moines, Iowa 50309.

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Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Net Position
June 30, 2014 and 2013**

Assets	2014	2013
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 10,337,912	\$ 15,497,834
Accounts receivable, net	883,608	1,034,136
Interest receivable	14,178	34,313
Due from other governmental units	5,582,640	13,578,702
Unrestricted current assets	16,818,338	30,144,985
Restricted current assets:		
Cash and pooled cash investments	5,656,800	14,056,312
Investments	14,328,200	5,928,688
Restricted current assets	19,985,000	19,985,000
Total current assets	36,803,338	50,129,985
Noncurrent assets:		
Restricted noncurrent assets:		
Cash and pooled cash	2,695,742	2,619,827
Investments	8,155,265	13,627,631
Capital assets:		
Land	9,140,972	8,920,652
Construction in progress	259,915,220	210,164,295
Plant	221,560,256	221,554,681
Sewer system	222,723,835	220,540,872
Machinery and equipment	47,916,746	45,684,517
	761,257,029	706,865,017
Less accumulated depreciation	167,267,281	153,907,552
Capital assets, net	593,989,748	552,957,465
Total noncurrent assets	604,840,755	569,204,923
Total assets	641,644,093	619,334,908
Deferred Outflows of Resources , deferred charge on refunding	1,099,708	1,186,672

See Notes to Financial Statements.

Liabilities	2014	2013
Current liabilities:		
Accounts payable	\$ 540,385	\$ 614,226
Accrued wages payable	186,429	154,266
Accrued employee benefits	451,347	497,940
Contracts payable	7,673,989	15,550,223
Due to other governmental units	-	625,000
Revenue bonds payable	9,832,000	8,318,000
Accrued interest payable	904,880	856,281
Total current liabilities	19,589,030	26,615,936
Noncurrent liabilities:		
Accrued employee benefits	865,380	822,901
Other postemployment benefits	286,286	222,717
Revenue bonds payable	332,154,074	308,280,117
Unamortized bond premium	4,721,125	5,087,723
Total noncurrent liabilities	338,026,865	314,413,458
Total liabilities	357,615,895	341,029,394
Net Position		
Net investment in capital assets	250,774,589	239,201,658
Restricted	28,443,675	28,302,425
Unrestricted	5,909,642	11,988,103
Total net position	\$ 285,127,906	\$ 279,492,186

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues, charges for sales and services	\$ 40,827,063	\$ 38,074,851
Operating expenses:		
Salary and personal services	9,479,953	9,173,905
Contractual services	6,890,950	6,324,909
Commodities	1,933,998	1,750,786
Depreciation	13,738,962	12,021,733
Total operating expenses	32,043,863	29,271,333
Operating income	8,783,200	8,803,518
Nonoperating revenues (expenses):		
Investment earnings	136,702	207,678
Amortization of bond premium and deferred charge on refunding	279,634	1,359,720
Gain (loss) on disposal of capital assets	36,363	(23,926)
Interest and bond issuance expense	(3,644,355)	(5,073,294)
Total nonoperating (expenses)	(3,191,656)	(3,529,822)
Income before capital grants and contributions	5,591,544	5,273,696
FEMA recovery contributions (payments)	44,176	(211,245)
Capital grants and contributions	-	501,702
Total capital grants and contributions	44,176	290,457
Change in net position	5,635,720	5,564,153
Net position, beginning of year	279,492,186	273,928,033
Net position, end of year	\$ 285,127,906	\$ 279,492,186

See Notes to Financial Statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from users	\$ 42,374,261	\$ 36,830,197
Payments to employees	(9,388,335)	(9,028,825)
Payments to suppliers	(9,523,789)	(11,294,409)
Net cash provided by operating activities	23,462,137	16,506,963
Cash flows from investing activities:		
Investment earnings	131,036	73,403
Purchase of investments	(25,240,060)	(7,347,043)
Sales of investments	22,338,715	17,510,814
Net cash provided by (used in) investing activities	(2,770,309)	10,237,174
Cash flows from capital and related financing activities:		
Purchase of capital assets	(55,113,279)	(74,293,724)
Receipts from sale of capital assets	36,363	9,335
Receipts from SRF drawdowns	40,305,349	62,022,402
Grant payments received, net of payments	44,176	290,457
Proceeds from revenue bonds, including premiums and deferred amount on refunding of 2014 none; 2013 \$724,236	-	57,144,236
Principal payments on revenue bonds	(8,318,000)	(63,527,000)
Interest payments on revenue bonds	(11,086,923)	(10,432,008)
Payment of bond issuance costs	(43,033)	(639,154)
Net cash (used in) capital and related financing activities	(34,175,347)	(29,425,456)
(Decrease) in cash and pooled cash	(13,483,519)	(2,681,319)
Cash and pooled cash, beginning of year	32,173,973	34,855,292
Cash and pooled cash, end of year	\$ 18,690,454	\$ 32,173,973

(Continued)

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows (Continued)
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,783,200	\$ 8,803,518
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,738,962	12,021,733
(Increase) decrease in accounts receivable	150,528	(271,635)
(Increase) decrease in due from other governmental units	1,396,670	(973,019)
(Decrease) in accounts payable and due to other governmental units	(698,841)	(3,218,714)
Increase (decrease) in accrued wages payable	32,163	(31,406)
Increase (decrease) in accrued employee benefits	(4,114)	131,601
Increase in other postemployment benefits	63,569	44,885
Net cash provided by operating activities	\$ 23,462,137	\$ 16,506,963
Noncash investing activities, net appreciation in fair value of investments	\$ 25,801	\$ 112,890
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	7,673,989	15,550,223
Amounts in due from other governmental units for SRF draws	5,501,300	12,100,692
Increase in due to other governmental units for construction in progress	-	129,781
Amounts of interest expense capitalized to new assets	7,534,200	6,078,065

See Notes to Financial Statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters

General:

The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) is a separate legal entity with its own Board. A joint venture was formed in 1979 in accordance with the provisions of Chapter 28E of the Code of Iowa. The WRA has been established for the purposes of planning, constructing, operating and managing regional sanitary sewer facilities. On July 1, 2004, a 28E 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 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 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 Polk City 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.

The second amended and restated 28E agreement sets forth a schedule through 2032 that will connect Polk City 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 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

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.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of WRA and charges to participating communities. Operating revenue received from the major participating communities for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
City of Des Moines	40%	41%
City of West Des Moines	13	12
City of Ankeny	11	9

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 Securities and are valued at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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 \$4,000 and \$3,600 at June 30, 2014 and 2013, respectively. Approximately none and \$72,000 were written off during the years ended June 30, 2014 and 2013, 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, 2014 and 2013, the amount due from Iowa Finance Authority (SRF Program) was approximately \$5,501,300 and \$12,100,700, respectively. WRA also accrues any unpaid balances from participating communities at year-end.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

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

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 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 2014 and 2013, \$7,534,200 and \$6,078,065 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(s) 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. Unspent bond proceeds as of June 30, 2014 and 2013 were \$2,392,332 and \$7,930,033, respectively. 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. WRA 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: Employees working for WRA are employees of Des Moines, the Operating Contractor, wages and benefits are paid by WRA as a direct allocation. Employee benefits are provided under the policies of Des Moines. Under these policies, employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. If paid upon death or retirement, the total accumulated hours are paid at one-half of the then effective hourly rate for that employee, with a maximum of 750 hours per employee. These accumulations are recorded as expenses and accrued employee benefits in the fiscal year earned.

Employees working for WRA also participate in Des Moines' deferred compensation plan. 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 2014 and 2013, WRA contributed \$147,800 and \$141,400, respectively, to the plan.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

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

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.

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 2014 and 2013 of approximately \$9,480,000 and \$9,174,000, respectively, for employees working for WRA. During the years ended June 30, 2014 and 2013, WRA paid allocations of \$943,800 (25 percent) and \$1,081,400 (20 percent), respectively, to Des Moines for shared expenses relating to pumping stations maintenance.

Note 3. Deposits and Investments

As of June 30, 2014 and 2013, WRA had the following investments and maturities:

Security Description	2014			
	Current Market Value	Less than One	Investment Maturities in Years	
			1 - 2	3 - 5
FHLB	\$ 3,001,440	\$ -	\$ 2,001,440	\$ 1,000,000
FNMA	1,261,550	1,261,550	-	-
Federal farm credit	6,611,133	-	6,611,133	-
FHLMC	11,609,342	-	-	11,609,342
Grand total	\$ 22,483,465	\$ 1,261,550	\$ 8,612,573	\$ 12,609,342

Security Description	2013			
	Current Market Value	Less than One	Investment Maturities in Years	
			1 - 2	3 - 5
FHLB	\$ 6,776,745	\$ -	\$ 6,776,745	\$ -
FNMA	1,478,068	-	1,478,068	-
Federal farm credit	5,344,948	-	5,344,948	-
FHLMC	5,956,558	-	5,956,558	-
Grand total	\$ 19,556,319	\$ -	\$ 19,556,319	\$ -

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 like funds of Des Moines 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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 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, 2014, WRA's investments were rated as follows:

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

Concentration of credit risk: The WRA's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the WRA to meet all anticipated cash requirements. The policy limits investments in order to avoid over-concentration in securities of a specific issuer. No more than 10 percent of the investment portfolio may be invested in commercial paper and no more than 50 percent of the investment portfolio is invested in securities of a single issuer. As of June 30, 2014, WRA had invested 13 percent in FHLB, 6 percent in FNMA, 52 percent in FHLMC, and 27 percent Federal Farm Credit securities. As of June 30, 2013, WRA has invested 35 percent FHLB, 8 percent in FNMA, 30 percent in FHLMC, and 27 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, 2014 and 2013, WRA's deposits with financial institutions were entirely covered by the federal depository insurance or collateralized by the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa.

As of June 30, 2014 and 2013, WRA's investments are unregistered and uninsured and held by the counter party's trust department or their agent in the name of WRA.

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, 2014 and 2013:

	2014			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,920,652	\$ 220,320	\$ -	\$ 9,140,972
Construction in progress	210,164,295	53,962,776	(4,211,851)	259,915,220
	<u>219,084,947</u>	<u>54,183,096</u>	<u>(4,211,851)</u>	<u>269,056,192</u>
Depreciable capital assets:				
Plant	221,554,681	5,575	-	221,560,256
Sewer system	220,540,872	2,182,963	-	222,723,835
Machinery and equipment	45,684,517	2,611,462	(379,233)	47,916,746
	<u>487,780,070</u>	<u>4,800,000</u>	<u>(379,233)</u>	<u>492,200,837</u>
Less accumulated depreciation:				
Plant	(83,553,960)	(5,708,135)	-	(89,262,095)
Sewer system	(46,150,143)	(4,583,633)	-	(50,733,776)
Machinery and equipment	(24,203,449)	(3,447,194)	379,233	(27,271,410)
	<u>(153,907,552)</u>	<u>(13,738,962)</u>	<u>379,233</u>	<u>(167,267,281)</u>
Net capital assets	\$ 552,957,465	\$ 45,244,134	\$ (4,211,851)	\$ 593,989,748
	2013			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,920,652	\$ -	\$ -	\$ 8,920,652
Construction in progress	163,256,377	87,128,146	(40,220,228)	210,164,295
	<u>172,177,029</u>	<u>87,128,146</u>	<u>(40,220,228)</u>	<u>219,084,947</u>
Depreciable capital assets:				
Plant	221,499,249	55,432	-	221,554,681
Sewer system	183,055,868	37,485,004	-	220,540,872
Machinery and equipment	43,287,133	3,202,878	(805,494)	45,684,517
	<u>447,842,250</u>	<u>40,743,314</u>	<u>(805,494)</u>	<u>487,780,070</u>
Less accumulated depreciation:				
Plant	(78,487,867)	(5,066,093)	-	(83,553,960)
Sewer system	(42,300,275)	(3,849,868)	-	(46,150,143)
Machinery and equipment	(21,869,910)	(3,105,772)	772,233	(24,203,449)
	<u>(142,658,052)</u>	<u>(12,021,733)</u>	<u>772,233</u>	<u>(153,907,552)</u>
Net capital assets	\$ 477,361,227	\$ 115,849,727	\$ (40,253,489)	\$ 552,957,465

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 5. Employee Benefits and Long-Term Debt

The following tables show the changes in long-term debt, employee benefits, and due to other governmental units for the years ended June 30, 2014 and 2013:

	2014				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
SRF loans	\$ 4,850,000	\$ -	\$ (1,344,000)	\$ 3,506,000	\$ 1,401,000
Series 2004B	1,310,000	-	(1,310,000)	-	-
Series 2006	34,145,000	-	(870,000)	33,275,000	900,000
Series 2013B	56,420,000	-	(540,000)	55,880,000	1,710,000
New SRF loans	219,673,117	33,705,957	(4,254,000)	249,125,074	5,621,000
Subordinate SRF	200,000	-	-	200,000	200,000
Add premiums	5,087,723	-	(366,598)	4,721,125	-
Total revenue bonds	321,685,840	33,705,957	(8,684,598)	346,707,199	9,832,000
Accrued employee benefits	1,320,841	1,106,291	(1,110,405)	1,316,727	451,347
Total	\$ 323,006,681	\$ 34,812,248	\$ (9,795,003)	\$ 348,023,926	\$ 10,283,347

	2013				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
SRF loans	\$ 6,139,000	\$ -	\$ (1,289,000)	\$ 4,850,000	\$ 1,344,000
Series 2004B	60,025,000	-	(58,715,000)	1,310,000	1,310,000
Series 2006	34,985,000	-	(840,000)	34,145,000	870,000
Series 2013B	-	56,420,000	-	56,420,000	540,000
New SRF loans	153,662,274	68,693,843	(2,683,000)	219,673,117	4,254,000
Subordinate SRF	17,425	182,575	-	200,000	-
Add premiums	4,536,535	3,508,063	(2,956,875)	5,087,723	-
Total revenue bonds	259,365,234	128,804,481	(66,483,875)	321,685,840	8,318,000
Accrued employee benefits	1,189,240	1,068,099	(936,498)	1,320,841	497,940
Total	\$ 260,554,474	\$ 129,872,580	\$ (67,420,373)	\$ 323,006,681	\$ 8,815,940

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, WRA issued \$66,830,000 Series 2004B for construction projects. In December 2004, 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 WRA and are included in WRA's debt payable. Series 2004B was partially refunded in 2013 with the issuance of the Series 2013B bonds. Series 2004B was retired in 2014.

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

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 5. Employee Benefits and Long-Term Debt (Continued)

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 partially refunded liability of the Series 2004B bonds was removed from the WRA's statement of net position.

In February 2008, WRA issued 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 payments on the bonds beginning after completion of the construction.

Bonds issued during the years ended June 30, 2014 and June 30, 2013 totaled \$33,705,957 and \$68,693,843, respectively. During fiscal years 2014 and 2013, WRA also issued none and \$182,575, respectively, 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 WRA to produce and maintain net revenues at a level not less than 110 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 \$28,443,675 and \$28,302,425 as of June 30, 2014 and 2013, 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 Long-Term Debt (Continued)

The following tables show the detail of revenue bonds payable.

2014						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2014
SRF 4	12/1/2004	*	6/1/2015	3%	N/A	\$ 218,000
SRF 6	12/1/2004	*	6/1/2016	3	N/A	1,621,000
SRF 7	12/1/2004	*	6/1/2018	3	N/A	1,667,000
2006	12/19/2006	\$ 38,050,000	6/1/2036	3.75 to 5	N/A	33,275,000
2008 A	6/4/2008	16,520,000	6/1/2039	3	\$ 16,520,000	14,991,000
2008 B	6/4/2008	6,575,000	6/1/2038	3	6,575,000	5,966,000
2008 D	6/4/2008	2,650,000	6/1/2039	3	2,332,000	2,326,000
2009 B	3/18/2009	8,400,000	6/1/2039	3	8,400,000	7,649,000
2009 C	7/5/2009	9,200,000	6/1/2039	3	9,200,000	8,377,000
2010 A	5/12/2010	8,500,000	6/1/2040	3	8,500,000	7,938,000
2010 B	5/12/2010	7,000,000	6/1/2040	3	7,000,000	6,537,000
2010 C1	6/30/2010	2,000,000	6/1/2032	3	2,000,000	1,998,000
2010 C2	6/30/2010	21,500,000	6/1/2032	3	19,698,972	17,967,972
2011 A	5/25/2011	60,000,000	6/1/2042	3	59,624,983	58,347,983
2011 B	3/23/2011	16,000,000	6/1/2041	3	15,544,553	14,853,037
2011 C	5/25/2011	9,600,000	6/1/2041	3	9,600,000	9,184,000
2011 D	12/2/2011	14,400,000	6/1/2043	3	14,234,453	14,233,453
2012 A	5/16/2012	200,000	5/2/2015	-	200,000	200,000
2012 B	5/16/2012	2,772,000	6/1/2042	3	2,772,000	2,712,000
2012 C	5/16/2012	18,000,000	6/1/2043	3	17,990,587	17,989,587
2012 D	5/16/2012	7,000,000	6/1/2042	3	7,000,000	6,850,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	10,712,930	10,711,930
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,212,155	1,211,156
2012 G	11/16/2012	22,000,000	6/1/2044	2.75	22,000,000	22,000,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,479,413	7,478,413
2013 B	5/2/2013	56,420,000	6/1/2034	2 to 4	N/A	55,880,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	873,062	873,062
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,492,853	4,492,353
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	4,438,128	4,438,128
Balance due						341,986,074
Amount due within one year						9,832,000
Long-term revenue bonds payable						<u>\$ 332,154,074</u>

* Series SRF 4, 6 and 7 were assumed from the City of Des Moines.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 5. Employee Benefits and Long-Term Debt (Continued)

The outstanding revenue bonds mature as follows:

<u>Fiscal Year:</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 9,832,000	\$ 13,911,666
2016	10,793,000	13,578,623
2017	10,281,000	13,198,760
2018	10,590,000	12,822,868
2019	10,480,000	12,434,400
2020 - 2024	60,386,000	55,326,978
2025 - 2029	70,767,062	41,504,540
2030 - 2034	75,928,453	24,300,128
2035 - 2039	56,116,000	9,323,015
2040 - 2044	26,812,559	1,943,325
	<u>\$341,986,074</u>	<u>\$198,344,303</u>

Note 6. Commitments and Contingencies

Construction contracts: WRA has signed construction contracts with remaining commitments of approximately \$6,510,600 as of June 30, 2014. Commitments on construction projects are funded primarily by state revolving loan program funds.

28E agreements: 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 none and \$625,000 as of June 30, 2014 and 2013, respectively.

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. Defeased Debt

In prior years, 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 WRA's financial statements. On June 30, 2014 and 2013, none and \$57,450,000, respectively, bonds outstanding are considered defeased.

Note 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. 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 9. Retirement System

As a direct allocation from Des Moines, 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, 2014 and 2013 were required to contribute 5.95 percent and 5.78 percent, respectively, of their annual covered salary and WRA was required to contribute 8.93 percent and 8.67 percent, respectively, of annual payroll for the years ended June 30, 2014 and 2013. Contribution requirements are established by State statute. The WRA's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$579,000, \$538,000 and \$465,000, respectively, equal to the required contributions for each year.

Note 10. Other Postemployment Benefits

Plan description: 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. 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 post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. The required contribution is based on projected pay-as-you-go financing. For fiscal years 2014 and 2013, WRA contributed \$23,231 and \$37,718, 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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, 2014 and 2013:

	2014	2013
Annual required contribution	\$ 90,451	\$ 83,334
Interest on net OPEB obligation	10,022	8,002
Adjustment to annual required contribution	(13,673)	(8,733)
Annual OPEB cost (expense)	86,800	82,603
Contributions and payments made	23,231	37,718
Increase in net OPEB obligation	63,569	44,885
Net OPEB obligation, beginning of year	222,717	177,832
Net OPEB obligation, end of year	<u>\$ 286,286</u>	<u>\$ 222,717</u>

WRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 86,800	26.8%	\$ 286,286
June 30, 2013	82,603	45.7	222,717
June 30, 2012	81,002	56.1	177,832

Funding status and funding progress as of June 30, 2014: 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 \$6,483,600 and the ratio of the UAAL to the covered payroll was 9.2 percent.

Funding status and funding progress as of June 30, 2013: As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. 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 \$6,336,200 and the ratio of the UAAL to the covered payroll was 9.5 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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, 2013 actuarial valuation, project unit credit method was used. The actuarial assumptions 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.

Note 11. New Pronouncements

As of June 30, 2014, the GASB has issued several statements not yet implemented by WRA. The statements which may impact WRA are as follows:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for 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.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for WRA beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for: determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Financial Statements

Note 11. New Pronouncements (Continued)

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68, issued November 2013, will be effective for WRA beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. The provisions are effective simultaneously with the provisions of Statement 68, which is required to be applied in fiscal years beginning after June 15, 2014.

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

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]
2012	07/01/2011	\$ -	\$ 604,122	\$ 604,122	- %	\$ 5,788,000	10.4%
2013	07/01/2011	-	604,122	604,122	-	6,336,200	9.5
2014	07/01/2013	-	598,220	598,220	-	6,483,628	9.2

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2013. Additional information follows:

1. The cost method used to determine the ARC is the Project Unit Credit Actuarial Cost Method.
2. The amortization methods 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; inflation rate of 3 percent.

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