



**Des Moines Metropolitan
Wastewater Reclamation Authority**

Financial Report

For the years ended June 30, 2009 and 2008

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

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McGladrey & Pullen

Certified Public Accountants

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, 2009 and 2008, 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, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 16, 2009

DES MOINES METROPOLITAN WASTEWATER RECLAMATION AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Wastewater Reclamation Authority (WRA) is pleased to offer readers of the WRA's financial statements this narrative overview and analysis of the financial position and activities of the WRA as of and for the fiscal years ended June 30, 2009 and 2008.

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 and Waukee; the Urbandale Sanitary Sewer District, Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District, Polk County and Warren County in the state of Iowa.

Overview of the Financial Statements

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

Basic financial statements

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

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

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

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

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

Financial highlights

Assets exceeded liabilities (net assets) by \$259,949,487, \$256,028,666, and \$250,200,761 as of June 30, 2009, 2008, and 2007, respectively. At June 30, 2009, 2008, and 2007, the WRA showed \$9,479,088, \$13,258,639, and \$11,191,984, respectively, as unrestricted assets, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2009, 2008, and 2007, the WRA's cash provided by operating activities was \$13,951,543, \$14,985,091, and \$11,627,469, 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 2009, the WRA's net assets increased \$3,920,821 from 2008. In 2008, the WRA's net assets increased \$5,827,905 from 2007.

	Table 1		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current and other assets	\$ 79,642,772	\$ 97,835,182	\$ 96,143,060
Capital assets	351,158,996	318,414,508	300,007,875
Total assets	<u>430,801,768</u>	<u>416,249,690</u>	<u>396,150,935</u>
Liabilities			
Current liabilities	15,053,320	15,980,871	11,001,404
Non-current liabilities	155,798,961	144,240,153	134,948,770
Total liabilities	<u>170,852,281</u>	<u>160,221,024</u>	<u>145,950,174</u>
Net assets			
Invested in capital assets, net	220,881,565	213,462,208	210,065,510
Restricted assets	29,588,834	29,307,819	28,943,267
Unrestricted assets	9,479,088	13,258,639	11,191,984
Total net assets	<u>\$ 259,949,487</u>	<u>\$ 256,028,666</u>	<u>\$ 250,200,761</u>

The increase in net assets during the years ended June 30, 2009, 2008, and 2007 is the result of cash collected for capital assets and debt servicing.

Highlights of the WRA's revenues and expenses for the years ended June 30, 2009, 2008, and 2007 are presented in Table 2:

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FOR THE YEARS ENDED JUNE 30, 2009 and 2008

	Table 2		
	2009	2008	2007
Operating Revenues			
Charges for sales and services	\$ 29,692,039	\$ 29,333,785	\$ 26,460,421
Operating Expenses:			
Cost of sales and services	15,929,828	15,039,383	14,171,302
Depreciation	9,410,548	8,632,044	7,818,393
Total operating expenses	25,340,376	23,671,427	21,989,695
Operating Income	4,351,663	5,662,358	4,470,726
Nonoperating Revenues (Expenses):			
Investment earnings	2,517,147	3,959,525	4,911,532
Gain (loss) on disposal of capital assets	192,704	(40,089)	7,645
Donations and contributions	19	1,189	1,512
Insurance recovery	250,000	-	-
Net impairment of asset	-	3,980	-
Interest expense	(3,975,460)	(4,150,624)	(3,974,075)
Other	362,848	391,566	332,352
Nonoperating (loss)	(652,742)	165,547	1,278,966
Capital grants and contributions	221,900	-	-
Change in net assets	\$ 3,920,821	\$ 5,827,905	\$ 5,749,692

Total revenues were \$33,251,029 and total expenses were \$29,330,208 for the year ended June 30, 2009. Total revenues were \$33,690,045 and total expenses were \$27,862,140 for the year ended June 30, 2008. Total revenues were \$31,727,670 and total expenses were \$25,977,978 for the year ended June 30, 2007. The WRA's net operating income was \$4,351,663 for the year ended June 30, 2009, \$5,662,358 for the year ended June 30, 2008, and \$4,470,726 for the year ended June 30, 2007.

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, 2009, 2008, and 2007 was \$25,031,838, \$24,308,747, and \$22,126,211, respectively.

Capital Assets

Capital assets increased by \$32,744,488 in 2009, \$18,406,633 in 2008, and \$18,265,177 in 2007. Bond issues provide 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 3 for more information on the WRA's capital assets.

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Long-term Debt

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

In fiscal year 2008, the WRA authorized \$30,806,720 of sewer revenue bonds under the Iowa Finance Authority's state revolving loan program. Proceeds will be loaned as draw-downs for constructing improvements or additions to the WRA System. WRA continues participation in the SRF program. The WRA authorized \$21,105,000 of sewer revenue bonds in fiscal year 2009 and has authorized \$183,641,720 of new debt since 2004.

Revenue bonds payable increased by \$12,069,615 in 2009, \$8,820,583 in 2008, and \$32,655,000 in 2007. Please refer to Note 4 for more information on the WRA's long-term debt.

Economic Factors

Interest rates have declined during the past years. Investment earnings were \$2,517,147, \$3,959,525, and \$4,911,532 for the years ended June 30, 2009, 2008, and 2007, respectively. Users of the WRA Facility consist of the regional communities including waste haulers and industries based in those communities. The WRA does 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 Allen McKinley, 401 Robert D. Ray Drive, Des Moines, Iowa 50309.

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Statements of Net Assets

ASSETS

	<u>2009</u>	<u>2008</u>
Current assets:		
Unrestricted current assets:		
Cash and pooled cash investments	\$ 14,182,817	\$ 17,002,725
Accounts receivable	963,055	1,630,992
Interest receivable	1,414,123	1,173,446
Due from other governmental units	3,447,071	5,065,747
Unrestricted current assets	<u>20,007,066</u>	<u>24,872,910</u>
Restricted current assets:		
Cash and pooled cash investments	1,115,600	1,054,390
Investments	37,926,095	51,558,831
Restricted current assets	<u>39,041,695</u>	<u>52,613,221</u>
Total current assets	<u>59,048,761</u>	<u>77,486,131</u>
Non-current assets:		
Unamortized bond issue costs	1,525,181	1,500,026
Restricted non-current assets:		
Cash and pooled cash investments	9,259,994	8,215,700
Investments	9,808,836	10,633,325
Capital assets:		
Land	4,383,401	4,173,901
Construction in progress	74,676,644	56,863,915
Plant	217,444,025	206,442,053
Sewer system	136,848,636	127,836,265
Machinery and equipment	27,474,809	23,732,971
	<u>460,827,515</u>	<u>419,049,105</u>
Less accumulated depreciation	109,668,519	100,634,597
Capital assets, net	<u>351,158,996</u>	<u>318,414,508</u>
Total non-current assets	<u>371,753,007</u>	<u>338,763,559</u>
TOTAL ASSETS	<u>\$ 430,801,768</u>	<u>\$ 416,249,690</u>

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current liabilities:		
Accounts payable	\$ 618,844	\$ 680,242
Accrued wages payable	308,514	304,180
Accrued employee benefits	331,338	310,888
Contracts payable	6,071,328	5,455,417
Due to other governmental units	450,262	2,226,587
Revenue bonds payable	6,739,000	6,490,000
Accrued interest payable	534,034	513,557
Total current liabilities	<u>15,053,320</u>	<u>15,980,871</u>
Non-current liabilities:		
Accrued employee benefits	751,498	705,115
Other postemployment benefits	47,083	25,752
Revenue bonds payable	146,490,198	134,669,583
Due to other governmental units	2,940,258	2,892,559
Unamortized bond premium	5,569,924	5,947,144
Total non-current liabilities	<u>155,798,961</u>	<u>144,240,153</u>
 TOTAL LIABILITIES	 <u>\$ 170,852,281</u>	 <u>\$ 160,221,024</u>
 Net assets:		
Investment in capital assets, net of related debt	\$ 220,881,565	\$ 213,462,208
Restricted	29,588,834	29,307,819
Unrestricted	9,479,088	13,258,639
TOTAL NET ASSETS	<u>\$ 259,949,487</u>	<u>\$ 256,028,666</u>

See accompanying notes to basic financial statements.

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FOR THE YEARS ENDED JUNE 30, 2009 and 2008

Statements of Revenues, Expenses, and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Charges for sales and services	\$ 29,692,039	\$ 29,333,785
Total operating revenues	<u>29,692,039</u>	<u>29,333,785</u>
Operating Expenses:		
Salary and personal services	7,991,555	7,520,171
Contractual services	6,388,885	6,112,938
Commodities	1,549,388	1,406,274
Depreciation	9,410,548	8,632,044
Total operating expenses	<u>25,340,376</u>	<u>23,671,427</u>
Operating Income	<u>4,351,663</u>	<u>5,662,358</u>
Non-operating revenues (expenses):		
Investment earnings	2,517,147	3,959,525
Amortization of bond premium	377,220	391,288
Gain (loss) on disposal of capital assets	192,704	(40,089)
Donations and contributions	19	1,189
Interest expense	(3,975,460)	(4,150,624)
Impairment of asset, net of \$850,000 from insurance coverage	-	3,980
Insurance recovery	250,000	-
Other	(14,372)	278
Total non-operating revenues (expenses)	<u>(652,742)</u>	<u>165,547</u>
Income before capital grants and contributions	3,698,921	5,827,905
FEMA capital contributions	216,900	-
Capital grants and contributions	5,000	-
Total capital contributions and grants	<u>221,900</u>	<u>-</u>
Change in net assets	3,920,821	5,827,905
Net assets, beginning of year	256,028,666	250,200,761
Net assets, end of year	<u>\$ 259,949,487</u>	<u>\$ 256,028,666</u>

See accompanying notes to basic financial statements.

DES MOINES METROPOLITAN
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FOR THE YEARS ENDED JUNE 30, 2009 and 2008

Statements of Cash Flow

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from users	\$ 29,850,271	\$ 29,477,301
Payments to employees	(7,899,057)	(7,392,006)
Payments to suppliers	(7,999,671)	(7,100,204)
Net cash provided by operating activities	<u>13,951,543</u>	<u>14,985,091</u>
Cash flows from investing activities:		
Investment earnings	2,175,188	3,964,112
Purchase of investments	(27,788,414)	(63,491,989)
Sales of investments	42,346,921	60,972,892
Net cash provided by investing activities	<u>16,733,695</u>	<u>1,445,015</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(41,158,622)	(24,676,767)
Proceeds from other governmental units for construction in progress	-	1,994,630
Payment in due to other governmental units for construction in progress	(2,139,129)	-
Insurance recovery	850,000	-
Receipts from sale of capital assets	222,704	42,200
Other	(14,372)	278
Receipts from donations and contributions	19	1,189
Receipts from SRF drawdowns	20,168,146	9,476,743
Capital grants	135,750	-
Principal payments on revenue bonds	(6,484,000)	(5,594,000)
Interest payments on revenue bonds	(3,872,046)	(4,062,208)
Payment of bond issuance costs	(108,092)	(312,339)
Net cash (used in) capital and related financing activities	<u>(32,399,642)</u>	<u>(23,130,274)</u>
(Decrease) in cash and pooled cash investments	(1,714,404)	(6,700,168)
Cash and pooled cash investments, beginning of year	<u>26,272,815</u>	<u>32,972,983</u>
Cash and pooled cash investments, end of year	<u>\$ 24,558,411</u>	<u>\$ 26,272,815</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,351,663	\$ 5,662,358
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,410,548	8,632,044
Decrease in accounts receivable	154,087	171,823
(Increase) decrease in due from other governmental units	4,145	(28,307)
Increase (decrease) in accounts payable	(61,398)	419,008
Increase in accrued wages payable	4,334	75,075
Increase in accrued employee benefits	66,833	27,338
Increase in other postemployment benefits	21,331	25,752
Net cash provided by operating activities	<u>\$ 13,951,543</u>	<u>\$ 14,985,091</u>
Noncash investing activities:		
Net appreciation (depreciation) in fair value of investments	101,282	(178,851)
Noncash capital and related financing activities:		
Increase in contracts payable for purchase of capital assets	615,911	1,562,943
Impairment of construction in progress	-	(846,020)
Increase in accounts receivable for insurance recovery	250,000	850,000
Increase in accounts receivable for FEMA	86,150	-
Increase in due from other governmental units for SRF draws	3,323,309	4,937,840
Increase in due to other governmental units for construction in progress	410,503	1,727,276

See accompanying notes to basic financial statements.

DES MOINES METROPOLITAN WASTEWATER RECLAMATION AUTHORITY

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

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.

The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, 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 was designated the "operating contractor". As operating contractor, the City of Des Moines operates, maintains and manages the Wastewater Reclamation Facility and the WRA System.

The amended and restated 28E agreement sets forth a schedule for sewer improvements and construction which provides for all of the participating communities connection to the WRF at 3000 Vandalia Road. The WRA Board has approved additional 28E agreements to expedite construction for specific phases of the scheduled improvements in which a participating community can finance the construction ahead of schedule and wait for reimbursement from the WRA bonding schedule.

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

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

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Operating and non-operating revenues and expenses—Operating revenues result from exchange transactions of the WRA and charges to participating communities. 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 the City of Des Moines as the operating contractor, which invests these deposits on a short-term basis. The City of Des Moines allocates investment income to the WRA based upon the City of Des Moines' rate of return on pooled cash investments and WRA's average monthly deposits balance. All deposits are covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

GASB Pronouncement – The WRA has elected to apply all GASB pronouncements, Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The WRA has elected not to apply 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 \$4,508 and \$2,703 at June 30, 2009 and 2008, respectively.

Restricted Assets - Restricted assets represent required reserve funds as established by the debt agreement and unspent bond proceeds.

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 2009 and 2008, \$2,829,384 and \$2,076,170 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.

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Net assets invested in capital assets, net of related debt, excludes unspent bond proceeds. Unspent bond proceeds as of June 30, 2009 and 2008 were \$28,521,691 and \$42,154,427 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 the City of Des Moines, the Operating Contractor but wages and benefits are paid by the WRA. Employee benefits are therefore provided under policies of the City 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 the City of 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 2009 and 2008, the WRA contributed \$122,000 and \$119,000, 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. The payment will be made from future bond proceeds.

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.

2. RELATED PARTY TRANSACTIONS

The WRA shares certain expenses with the City of Des Moines, in accordance with the provisions of the WRA Operating Contract. WRA paid wages and employee benefit costs of approximately \$7,991,600, and \$7,520,200 in 2009 and 2008, for City of Des Moines employees working for the WRA system. The City of Des Moines, Iowa provided 41% and 44% of operating revenue for the years ended June 30, 2009 and 2008, respectively. During the years ended June 30, 2009 and 2008, WRA paid allocations of 24% and 25% to City of DM for shared expenses relating to pumping stations maintenance and totaling \$930,800 and \$920,400, respectively.

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3. CAPITAL ASSETS

The following tables show the changes in the capital assets.

<u>2009</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 4,173,901	\$ 209,500	\$ -	\$ 4,383,401
Construction in progress	56,863,915	41,603,083	(23,790,354)	74,676,644
	<u>61,037,816</u>	<u>41,812,583</u>	<u>(23,790,354)</u>	<u>79,060,045</u>
<u>Depreciable capital assets:</u>				
Plant	206,442,053	11,001,972	-	217,444,025
Sewer system	127,836,265	9,012,371	-	136,848,636
Machinery & equipment	23,732,971	4,148,464	(406,626)	27,474,809
	<u>358,011,289</u>	<u>24,162,807</u>	<u>(406,626)</u>	<u>381,767,470</u>
	419,049,105	65,975,390	(24,196,980)	460,827,515
Less accumulated depreciation:				
Plant	(58,989,774)	(4,661,170)	-	(63,650,944)
Sewer system	(30,240,577)	(2,460,750)	-	(32,701,327)
Machinery & equipment	(11,404,246)	(2,288,628)	376,626	(13,316,248)
	<u>(100,634,597)</u>	<u>(9,410,548)</u>	<u>376,626</u>	<u>(109,668,519)</u>
Net capital assets	<u>\$ 318,414,508</u>	<u>\$ 56,564,842</u>	<u>\$ (23,820,354)</u>	<u>\$ 351,158,996</u>

<u>2008</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 4,173,901	\$ -	\$ -	\$ 4,173,901
Construction in progress	46,653,568	27,585,481	(17,375,134)	56,863,915
	<u>50,827,469</u>	<u>27,585,481</u>	<u>(17,375,134)</u>	<u>61,037,816</u>
<u>Depreciable capital assets:</u>				
Plant	205,004,383	1,437,670	-	206,442,053
Sewer system	113,897,908	13,938,357	-	127,836,265
Machinery & equipment	22,432,372	1,534,592	(233,993)	23,732,971
	<u>341,334,663</u>	<u>16,910,619</u>	<u>(233,993)</u>	<u>358,011,289</u>
	392,162,132	44,496,100	(17,609,127)	419,049,105
Less accumulated depreciation:				
Plant	(54,582,104)	(4,407,670)	-	(58,989,774)
Sewer system	(28,009,335)	(2,231,242)	-	(30,240,577)
Machinery & equipment	(9,562,818)	(1,993,132)	151,704	(11,404,246)
	<u>(92,154,257)</u>	<u>(8,632,044)</u>	<u>151,704</u>	<u>(100,634,597)</u>
Net capital assets	<u>\$ 300,007,875</u>	<u>\$ 35,864,056</u>	<u>\$ (17,457,423)</u>	<u>\$ 318,414,508</u>

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4. EMPLOYEE BENEFITS & LONG-TERM DEBT

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

	<u>2009</u>				Due within One Year	Range of Interest Rates
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>		
Revenue bonds:						
Series 2006	\$ 38,050,000	\$ -	\$ (725,000)	\$ 37,325,000	750,000	3.75% to 5%
Series 2004A	13,220,000	-	(3,555,000)	9,665,000	3,700,000	3% to 5%
Series 2004B	64,695,000	-	(1,115,000)	63,580,000	1,150,000	3% to 5%
SRF Loans	10,780,000	-	(1,088,000)	9,692,000	1,135,000	3%
New SRF Loans	13,795,290	15,161,127	(1,000)	28,955,417	4,000	3%
Subordinate SRF	619,293	3,392,488	-	4,011,781		0%
Due to other gov't units	5,119,146	410,503	(2,139,129)	3,390,520	450,262	n.a.
Accrued employee benefits	1,016,003	760,120	(693,287)	1,082,836	331,338	n.a.
	<u>\$ 147,294,732</u>	<u>\$ 19,724,238</u>	<u>\$ (9,316,416)</u>	<u>\$ 157,702,554</u>	<u>\$ 7,520,600</u>	

	<u>2008</u>				Due within One Year	Range of Interest Rates
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>		
Revenue bonds:						
Series 2006	\$ 38,050,000	\$ -	\$ -	\$ 38,050,000	725,000	3.75% to 5%
Series 2004A	16,685,000	-	(3,465,000)	13,220,000	3,555,000	3% to 5%
Series 2004B	65,780,000	-	(1,085,000)	64,695,000	1,115,000	3% to 5%
SRF Loans	11,824,000	-	(1,044,000)	10,780,000	1,093,000	3%
New SRF Loans	-	13,795,290	-	13,795,290	2,000	3%
Subordinate SRF	-	619,293	-	619,293		0%
Due to other gov't units	1,397,240	3,721,906	-	5,119,146	2,226,587	n.a.
Accrued employee benefits	988,665	709,524	(682,186)	1,016,003	310,888	n.a.
	<u>\$ 134,724,905</u>	<u>\$ 18,846,013</u>	<u>\$ (6,276,186)</u>	<u>\$ 147,294,732</u>	<u>\$ 9,027,475</u>	

The amount due to other governmental units at June 30, 2009 and 2008 relates to commitments and 28E agreements that expedite sewer construction scheduled for future bond issues. The long term amount at June 30, 2009 of \$2,940,258 will settle with proceeds from a future bond issue scheduled no sooner than January 1st, 2010.

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As a result of the amended and restated 28E agreement, the WRA issued Series 2004A to advance refund the City of Des Moines, Iowa's sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3. Proceeds of \$31,714,461 were placed into an irrevocable trust and the liability was removed from the City of Des Moines, Iowa's financial statements. State revolving loans SRF4, SRF6, and SRF7 with a balance of \$14,700,000 on July 1, 2004, were reassigned from the City of Des Moines, Iowa to the WRA. The City of Des Moines, Iowa contributed cash and investments \$6,595,410 to the WRA from debt reserves the City had on-hand to service the advance refunded debt.

The Series 2004A bonds of \$26,850,000 require principal payments each June 1st through 2012 and bear interest rates of 3-5%. The WRA issued \$66,830,000 Series 2004B for construction projects. The Series 2004B bonds require principal payments each June 1st through 2034 and bear interest rates of 3-5%. In December 2006, the WRA issued \$38,050,000 Series 2006 bonds for construction projects. The Series 2006 bonds require principal payments each June 1st through 2036 and bear interest rates of 3.75-5%.

In February 2008, the WRA authorized Series 2008 A-G revenue bonds under the state revolving loan program. In June 2008, the WRA issued \$25,745,000 Series 2008 A, B, D bonds for construction projects and \$5,061,720 Series E & F as subordinate bonds for planning and design loans. As of June 30, 2009, \$26,499,561 has been drawn. The Series 2008A, 2008B, 2008D bear interest rates of 3% and mature June 1, 2039. Principal payments begin after completion of the construction projects. Series 2008E and Series 2008F are interim loans with zero interest rate and principal balance due in 2011.

In December 2008, the WRA authorized Series 2009 A-B revenue bonds under the state revolving loan program. In January 2009 the WRA issued \$3,205,000 Series 2009A as subordinate bonds for planning and design loans. In March 2009, the WRA issued \$8,400,000 Series 2009 B bonds for construction projects. As of June 30, 2009, only \$6,378,097 has been drawn. The Series 2009B bears interest of 3% and matures June 1, 2040. Series 2009A is an interim loan with zero interest rate and principal balance due in 2011.

In April 2009, the WRA authorized Series 2009 C-D revenue bonds under the state revolving loan program. In April 2009, the WRA issued \$300,000 Series 2009D as subordinate bonds for a planning and design loan. On July 1st, the WRA issued \$9,200,000 Series 2009C bonds for construction projects. As of June 30, 2009, only \$89,540 has been drawn.

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 \$29,588,834 and \$29,307,819 as of June 30, 2009 and 2008.

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

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The outstanding revenue bonds mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	6,739,000	6,507,333
2011	10,991,241	6,278,383
2012	6,799,541	5,989,698
2013	4,127,000	5,721,283
2014	4,280,000	5,581,415
2015-2019	20,423,000	25,924,098
2020-2024	24,145,000	21,423,680
2025-2029	30,430,000	15,261,840
2030-2034	37,652,000	7,622,385
2035-2039	7,642,416	1,028,440
	<u>153,229,198</u>	<u>101,338,555</u>

5. DEPOSITS AND INVESTMENTS

As of June 30, 2009 and 2008, the WRA had the following investments and maturities:

<u>2009</u> Security Description	Current Market Value	Investment Maturities (in Years)			
		Less than One	1-2	3-5	More than Five
FHLB total	\$ 14,699,675	\$ 14,699,675	\$ -	\$ -	\$ -
FNMA total	2,816,872	2,816,872	-	-	-
FNMA Discount total	2,998,800	2,998,800	-	-	-
FHLMC total	6,200,725	2,026,260	4,174,465	-	-
FHLMC Discount total	2,997,300	2,997,300	-	-	-
Grand total	<u>\$ 29,713,372</u>	<u>25,538,907</u>	<u>4,174,465</u>	<u>-</u>	<u>-</u>

<u>2008</u> Security Description	Current Market Value	Investment Maturities (in Years)			
		Less than One	1-2	3-5	More than Five
Federal Farm Credit total	\$ 1,619,008	\$ -	\$ 1,619,008	\$ -	\$ -
FHLB total	16,906,605	6,607,134	7,200,081	3,099,390	-
FHLB Discount total	989,700	989,700	-	-	-
FNMA Discount total	3,935,800	3,935,800	-	-	-
FHLMC total	19,521,734	5,321,623	10,141,040	4,059,071	-
FHLMC Discount total	4,447,750	4,447,750	-	-	-
Grand total	<u>\$ 47,420,597</u>	<u>21,302,007</u>	<u>18,960,129</u>	<u>7,158,461</u>	<u>-</u>

Investments on the statement of net assets include certificates of deposit totaling \$18,021,559 and \$14,771,559 at June 30, 2009 and 2008, respectively.

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Authorized Investments – The WRA appointed the City Treasurer of the City of Des Moines, Iowa as the WRA Treasurer. The investment policy of the WRA requires the funds to be invested in the same manner as funds of the City of Des Moines and to be invested under the City of Des Moines, Iowa’s 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 the City of Des Moines, Iowa 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 district.

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, 2009, the WRA’s investments were rated as follows:

<u>Security Description</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
FHLB	Aaa	AAA
FHLMC	Aaa	AAA
FHLMC Discount	Aaa	A-1+
FNMA	Aaa	AAA
FNMA Discount	Aaa	A-1+

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 City of Des Moines investment portfolio is invested in securities of a single issuer. As of June 30, 2009, the WRA has invested 49% FHLB, 10% in FNMA, 10% in FNMA Discount, 21% in FHLMC, and 10% FHLMC Discount securities. As of June 30, 2008, the WRA has invested 4% in Federal Farm Credit, 36% FHLB, 2% in FHLB Discount, 8% in FNMA Discount, 41% in FHLMC, and 9% FHLMC Discount securities.

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Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all WRA funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2009 and 2008, 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, 2009 and 2008, 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.

6. SUBSEQUENT EVENTS

Long-term Debt - The WRA issued \$9,200,000 Series 2009C bonds for construction projects on July 1st, 2009. Commitments on certain construction projects are funded with Clean Water funds under the State Revolving Loan program.

28E Agreements - The WRA anticipates entering into an agreement with the City of Polk City, Iowa to participate in the WRA as a member community. Subject to the approval of both parties by November 15, 2009, Polk City will be a voting member of the WRA on July 1st, 2010.

7. COMMITMENTS AND CONTINGENCIES

Construction Contracts - The City of Des Moines, as Operating Contractor for the WRA, has signed WRA System construction contracts with remaining commitments of approximately \$23,124,500 and \$31,971,000 as of June 30, 2009 and 2008. 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 sewers with future bond issue proceeds and approved commitments of approximately \$3,931,400 and \$6,865,200 as of June 30, 2009 and 2008, respectively.

Litigation – On August 15, 2006, the Iowa Environmental Protection Commission and Iowa Department of Natural Resources referred the WRA and the City of Des Moines, Iowa, to the Iowa Office of the Attorney General for an enforcement action. The referral sought penalties and injunctive relief and indicates that Iowa Code Section 455B.191 authorizes the assessment of civil penalties up to \$5,000 per day of violation for water quality violations. In August 2007, the State Attorney General's office sent a draft Petition at Law and a draft Consent Order, Judgment, and Decree to the WRA and to the City of Des Moines. The WRA and the City of Des Moines intend to negotiate with the State Attorney General's office and determine whether consensus can be reached. The initial indications from these documents are that the State Attorney General's office does not believe civil penalties to be appropriate but will be seeking to have future obligations of the WRA and the City of Des Moines set forth in a Consent Order, Judgment, and Degree subject

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to stipulated penalties. At this time the parties have not come to an agreement, and therefore, an evaluation of the likelihood of a specific outcome cannot be provided with certainty.

8. DEFEASED DEBT

In prior years, the WRA defeased certain sewer revenue refunding bonds and state revolving loans by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the WRA's financial statements. On June 30, 2009 \$1,335,000 bonds outstanding are considered defeased.

9. IMPAIRMENT OF ASSETS and INSURANCE RECOVERY

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

10. RISK MANAGEMENT

The WRA system is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disasters. The WRA carries commercial insurance for general liability claims. Settled claims usually do not exceed commercial coverage, however in June 2008, the WRA sustained flood damage that will exceeded coverage. The WRA has filed a claim with FEMA for eligible damages in excess of insurance coverage.

11. RETIREMENT SYSTEM

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

Plan members are required to contribute 4.10% of their annual covered salary and the WRA is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The WRA's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$353,000, \$322,000, and \$288,000, respectively, equal to the required contributions for each year.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan description – The WRA participates in the City of Des Moines, Iowa 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

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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 59. Retiree expenses are then offset by monthly contributions.

Funding policy – The City of Des Moines establishes and amends contribution requirements. The current funding policy of the City 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 2009 and 2008, the WRA contributed \$18,258 and \$12,679, respectively.

Annual OPEB Cost and Net OPEB Obligation – The City’s 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:

	<u>2009</u>
Annual required contribution	\$ 38,431
Interest on net OPEB obligation	1,158
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	39,589
Contributions and payments made	<u>18,258</u>
Increase in net OPEB obligation	21,331
Net OPEB obligation - July 1, 2008	\$ 25,752
Net OPEB obligation - June 30, 2009	\$ 47,083

The WRA’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2008 and 2009 follows. Fiscal year 2008 was the transition year of GASB Statement No. 45.

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 38,431	32.99%	\$ 25,752
June 30, 2009	\$ 39,589	46.12%	\$ 47,083

Funding status and funding progress – As of July 1, 2007, the most recent actuarial valuation date, the plan was 0 percent funded. The WRA’s actuarial accrued liability for benefits was \$331,219 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$(331,219). The covered payroll (annual payroll of active employees covered by the

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plan) was \$5,620,000 in 2009 and \$5,370,000 in 2008. The ratio of the UAAL to the covered payroll was 5.8% in 2009 and 6.5% in 2008.

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, 2007 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 10 percent reduced by decrements of .55 percent annually to an ultimate rate of 5 percent for medical and prescription costs, and annual health care cost trend rate of 6.5 percent for dental and related administrative costs. The UAAL is being amortized as a closed level dollar. The amortization of UAAL is done over a period of 30 years.

13. NEW PRONOUNCEMENTS

The WRA implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This statement requires the WRA to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This Statement had no effect on the WRA's financial statements.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. This Statement has no effect on the WRA's financial statements.

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As of June 30, 2009, 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. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the WRA beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the WRA beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

Required Supplementary Information

Other Post-Employment Benefits

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Liability (AAL) [b]	Unfunded AAL [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percent of Covered Payroll [(b-a)/c]
2008	7/1/2007	\$ -	\$ 331,219	\$ 331,219	0.0%	\$ 5,370,000	6.2%
2009	7/1/2007	\$ -	\$ 331,219	\$ 331,219	0.0%	\$ 5,620,000	5.9%

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

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2007. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost Method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0-10.0 percent; discount rate of 4.5 percent.
4. The amortization method is closed, level dollar.