Des Moines Metropolitan
Wastewater Reclamation Authority

Financial Report

For the years ended June 30, 2008 and 2007

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, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the WRA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Des Moines Metropolitan Wastewater Reclamation Authority, as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in footnote 11 to the basic financial statements, the WRA changed its method of accounting for other post employment benefits.

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 the Governmental Accounting Standards Board. 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 14, 2008

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, 2008 and 2007.

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.

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 $256,028,666, $250,200,761, and $244,451,069 as of June 30, 2008, 2007, and 2006, respectively. At June 30, 2008, 2007, and 2006, the WRA showed $13,258,639, $11,191,984, and $9,135,188, respectively, as unrestricted assets, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2008, 2007, and 2006, the WRA's cash provided by operating activities was $14,985,091, $11,627,469, and $14,512,063, 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 2008, the WRA's net assets increased $5,827,905 from 2007. In 2007, the WRA's net assets increased $5,749,692 from 2006.

Table 1

	2008	2007	2006
Assets			
Current and other assets	$ 97,835,182	$ 96,143,060	$ 74,361,511
Capital assets	318,414,508	300,007,875	281,742,698
Total assets	416,249,690	396,150,935	356,104,209
Liabilities			
Current liabilities	15,980,871	11,001,404	12,057,680
Non-current liabilities	144,240,153	134,948,770	99,595,460
Total liabilities	160,221,024	145,950,174	111,653,140
Net assets			
Invested in capital assets, net	213,462,208	210,065,510	209,419,431
Restricted assets	29,307,819	28,943,267	25,896,450
Unrestricted assets	13,258,639	11,191,984	9,135,188
Total net assets	$256,028,666	$250,200,761	$244,451,069

The increase in net assets during the years ended June 30, 2008, 2007, and 2006 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, 2008, 2007, and 2006 are presented in Table 2:

FOR THE YEARS ENDED JUNE 30, 2008 and 2007

Table 2

	2008	2007	2006
Operating Revenues			
Charges for sales and services	$ 29,333,785	$ 26,460,421	$ 28,075,966
Operating Expenses:			
Cost of sales and services	15,039,383	14,171,302	13,270,530
Depreciation	8,632,044	7,818,393	7,061,109
Total operating expenses	23,671,427	21,989,695	20,331,639
Operating Income	5,662,358	4,470,726	7,744,327
Nonoperating Revenues (Expenses):			
Investment earnings	3,959,525	4,911,532	3,070,738
Gain (loss) on disposal of capital assets	(40,089)	7,645	(59,040)
Donations and contributions	1,189	1,512	1,026
Net impairment of asset	3,980	-	-
Interest expense	(4,150,624)	(3,974,075)	(3,412,645)
Other	391,566	332,352	283,568
Nonoperating (loss)	165,547	1,278,966	(116,353)
Capital grants and contributions	-	-	1,739,760
Change in net assets	$ 5,827,905	$ 5,749,692	$ 9,367,734

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. Total revenues were $33,171,058 and total expenses were $23,803,324 for the year ended June 30, 2006. The WRA’s net operating income was $5,662,358 for the year ended June 30, 2008, $4,470,726 for the year ended June 30, 2007, and $7,744,327 for the year ended June 30, 2006.

The WRA receives revenue from the member communities for debt servicing, capital and operations. The total received from the communities during the year ended June 30, 2008, 2007, and 2006 was $24,308,747, $22,126,211, and $24,904,712, respectively. Community revenue is recorded each year as charges for sales and services.

Capital Assets

Capital assets increased by $18,406,633 in 2008, $18,265,177 in 2007, and $25,255,329 in 2006. A bond issue provided funds for a long-term commitment to system construction. Capital projects are planned to increase the capacity of both the wastewater facility and the conveyance system to accommodate the anticipated population growth in the metro area and extend connections to Ankeny, Altoona, Bondurant, Norwalk, Cumming, and Waukee. Concentration on the capital improvements and expansion planned through the year 2020 will allow the WRA to continue its mission of protecting the public health and enhancing the environment by recycling wastewater and being the preferred treatment facility for hauled liquid waste.

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 June 2008, the WRA authorized $44,000,000 of sewer revenue bonds, Series 2008 of Iowa Finance State revolving loan program. Proceeds will be loaned as drawdowns for constructing improvements or additions to the WRA System. Revenue bonds payable at June 30, 2008 were $141,159,583, June 30, 2007 were $132,339,000, and June 30, 2006 were $99,984,000.

Economic Factors

Interest rates have fluctuated during the past years. Investment earnings were $3,959,525, $4,911,532, and $3,070,738 for the years ended June 30, 2008, 2007, and 2006, respectively. Investments include unspent bond proceeds.

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 Allen McKinley, 401 Robert D. Ray Drive, Des Moines, Iowa 50309.

DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY

JUNE 30, 2008 and 2007

Statements of Net Assets

ASSETS

	2008	2007
Current assets:		
Unrestricted current assets:		
Cash and pooled cash investments	$ 17,002,725	$ 15,146,559
Accounts receivable	1,630,992	952,815
Interest receivable	1,173,446	999,182
Due from other governmental units	5,065,747	99,600
Unrestricted current assets	24,872,910	17,198,156
Restricted current assets:		
Cash and pooled cash investments	1,054,390	7,688,488
Investments	51,558,831	51,655,156
Restricted current assets	52,613,221	59,343,644
Total current assets	77,486,131	76,541,800
Non-current assets:		
Unamortized bond issue costs	1,500,026	1,266,570
Restricted non-current assets:		
Cash and pooled cash investments	8,215,700	10,137,936
Investments	10,633,325	8,196,754
Capital assets:		
Land	4,173,901	4,173,901
Construction in progress	56,863,915	46,653,568
Plant	206,442,053	205,004,383
Sewer system	127,836,265	113,897,908
Machinery and equipment	23,732,971	22,432,372
	419,049,105	392,162,132
Less accumulated depreciation	100,634,597	92,154,257
Capital assets, net	318,414,508	300,007,875
Total non-current assets	338,763,559	319,609,135
TOTAL ASSETS	$ 416,249,690	$ 396,150,935

LIABLILITIES AND NET ASSETS

		2008		2007
Current liabilities:				
Accounts payable	$	680,242	$	261,234
Accrued wages payable		304,180		229,105
Accrued employee benefits		310,888		372,531
Contracts payable		5,455,417		3,892,474
Due to other governmental units		2,226,587		130,036
Revenue bonds payable		6,490,000		5,612,000
Accrued interest payable		513,557		504,024
Total current liabilities		15,980,871		11,001,404
Non-current liabilities:				
Accrued employee benefits		705,115		616,134
Other postemployment benefits		25,752		-
Revenue bonds payable		134,669,583		126,727,000
Due to other governmental units		2,892,559		1,267,204
Unamortized bond premium		5,947,144		6,338,432
Total non-current liabilities		144,240,153		134,948,770
TOTAL LIABILITIES	$	160,221,024	$	145,950,174
Net assets:				
Investment in capital assets, net of related debt	$	213,462,208	$	210,065,510
Restricted		29,307,819		28,943,267
Unrestricted		13,258,639		11,191,984
TOTAL NET ASSETS	$	256,028,666	$	250,200,761

See accompanying notes to basic financial statements.

DES MOINES METROPOLITAN
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FOR THE YEARS ENDED JUNE 30, 2008 and 2007

Statements of Revenues, Expenses, and Changes in Net Assets

	2008	2007
Operating Revenues:		
Charges for sales and services	$ 29,333,785	$ 26,460,421
Total operating revenues	29,333,785	26,460,421
Operating Expenses:		
Salary and personal services	7,520,171	7,186,516
Contractual services	6,112,938	5,626,428
Commodities	1,406,274	1,358,358
Depreciation	8,632,044	7,818,393
Total operating expenses	23,671,427	21,989,695
Operating Income	5,662,358	4,470,726
Non-operating revenues (expenses):		
Investment earnings	3,959,525	4,911,532
Amortization of bond premium	391,288	346,560
Gain (loss) on disposal of capital assets	(40,089)	7,645
Donations and contributions	1,189	1,512
Interest expense	(4,150,624)	(3,974,075)
Impairment of asset, net of $850,000 from insurance coverage	3,980	-
Other	278	(14,208)
Total non-operating revenues (expenses)	165,547	1,278,966
Change in net assets	5,827,905	5,749,692
Net assets, beginning of year	250,200,761	244,451,069
Net assets, end of year	$ 256,028,666	$ 250,200,761

See accompanying notes to basic financial statements.

DES MOINES METROPOLITAN
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FOR THE YEARS ENDED JUNE 30, 2008 and 2007

Statements of Cash Flow

	2008	2007
Cash flows from operating activites:		
Receipts from users	$ 29,477,301	$ 25,923,771
Payments to employees	(7,392,006)	(7,140,499)
Payments to suppliers	(7,100,204)	(7,155,803)
Net cash provided by operating activities	14,985,091	11,627,469
Cash flows from investing activities:		
Investment earnings	3,964,112	4,405,638
Purchase of investments	(63,491,989)	(62,859,671)
Sales of investments	60,972,892	48,895,845
Net cash provided by (used in) investing activities	1,445,015	(9,558,188)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(24,676,767)	(26,460,181)
Proceeds from other governmental units for construction in progress	1,994,630	-
Receipts from sale of capital assets	42,200	34,000
Other	278	(14,208)
Receipts from donations and contributions	1,189	1,512
Receipts from SRF drawdowns	9,476,743	-
Receipts from bond proceeds, including $2,329,296 premium	-	40,379,296
Principal payments on revenue bonds	(5,594,000)	(5,395,000)
Interest payments on revenue bonds	(4,062,208)	(3,785,070)
Payment of bond issuance costs	(312,339)	(416,731)
Net cash provided by (used in) capital and related financing activities	(23,130,274)	4,343,618
Increase (decrease) in cash and pooled cash investments	(6,700,168)	6,412,899
Cash and pooled cash investments, beginning of year	32,972,983	26,560,084
Cash and pooled cash investments, end of year	$ 26,272,815	$ 32,972,983
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 5,662,358	$ 4,470,726
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,632,044	7,818,393
Decrease (increase) in accounts receivable	171,823	(541,109)
(Increase) in due from other governmental units	(28,307)	(12,673)
Increase (decrease) in accounts payable	419,008	(111,888)
Increase (decrease) in accrued wages payable	75,075	(8,137)
Increase in accrued employee benefits	27,338	54,153
Increase in other postemployment benefits	25,752	-
(Decrease) in due to other governmental units	-	(41,996)
Net cash provided by operating activites	$ 14,985,091	$ 11,627,469
Noncash investing activities:		
Net appreciation (depreciation) in fair value of investments	(178,851)	579,446
Noncash capital and related financing activities:		
Increase (decrease) in contracts payable for purchase of capital assets	1,562,943	(350,256)
Impairment of construction in progress	(846,020)	-
Insurance recovery	850,000	-
Increase in due from other governmental units for SRF	4,937,840	-
Increase in due to other governmental units for construction in progress	1,727,276	-

See accompanying notes to basic financial statements.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

General - The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) is a separate legal entity with its own Board. A joint venture was formed in 1979 in accordance with the provisions of Chapter 28E of the Code of Iowa. On July 1, 2004, a new 28E was adopted which amended and restated the previous agreement and set forth provisions to carry the WRA beyond 2005. The WRA has been established for the purposes of planning, constructing, operating, and managing regional sanitary sewer facilities. On June 21, 2005, a supplement to the WRA agreement admitted the city of Cumming as a participating community effective July 1, 2006. On December 20, 2005, a second supplement was adopted to admit the city of Waukee as a participating community effective July 1, 2007.

The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, Waukee, and West Des Moines; 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.

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.

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. At June 30, 2007, an allowance account was established for uncollectible FOG inspection fees with a balance of $1,628 computed as 10% of this fiscal year's fees. The balance in the allowance for doubtful accounts was $2,703 at June 30, 2008.

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

Capital Assets - Land, plant, and sewer systems are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of 3-50 years. The cost of repairs and maintenance is charged to expense when incurred. The cost of renewals or substantial improvements in excess of $5,000 is capitalized. The cost and accumulated depreciation of assets disposed are deleted, with any gain or loss recorded in current operations. Interest cost associated with constructing of capitalized assets is capitalized when significant to the WRA. For fiscal years 2008 and 2007, $2,076,170 and $1,586,753 of interest costs were capitalized.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net assets invested in capital assets, net of related debt, excludes unspent bond proceeds. Unspent bond proceeds as of June 30, 2008 and 2007 were $42,154,427 and $48,735,067 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 2008 and 2007, the WRA contributed $119,000 and $98,000, 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, which are allocated to the City of Des Moines in accordance with the provisions of the operating contract. During the years ended June 30, 2008 and 2007, shared expenses relating to pumping stations maintenance and administrative charges of $1,116,000 and $918,200, respectively, were allocated to the City of Des Moines from the WRA. The WRA paid wages and employee benefit costs of approximately $7,520,200, and $7,186,500 in 2008 and 2007, for City of Des Moines employees working for the WRA system. The City of Des Moines, Iowa provided 44% and 47% of operating revenue for the years ended June 30, 2008 and 2007, respectively.

3. CAPITAL ASSETS

The following tables show the changes in the capital assets.

2008	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	$ 4,173,901	$ -	$ -	$ 4,173,901
Construction in progress	46,653,568	27,585,481	(17,375,134)	56,863,915
	50,827,469	27,585,481	(17,375,134)	61,037,816
Depreciable capital assets:				
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
	341,334,663	16,910,619	(233,993)	358,011,289
	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)
	(92,154,257)	(8,632,044)	151,704	(100,634,597)
Net capital assets	$ 300,007,875	$ 35,864,056	$ (17,457,423)	$ 318,414,508

2007	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	$ 4,151,985	$ 21,916	$ -	$ 4,173,901
Construction in progress	45,442,077	25,788,960	(24,577,469)	46,653,568
	49,594,062	25,810,876	(24,577,469)	50,827,469
Depreciable capital assets:				
Plant	191,779,954	13,224,429	-	205,004,383
Sewer system	105,251,837	8,646,071	-	113,897,908
Machinery & equipment	19,535,908	3,006,018	(109,554)	22,432,372
	316,567,699	24,876,518	(109,554)	341,334,663
	366,161,761	50,687,394	(24,687,023)	392,162,132
Less accumulated depreciation:				
Plant	(50,573,960)	(4,008,144)	-	(54,582,104)
Sewer system	(26,003,937)	(2,005,398)	-	(28,009,335)
Machinery & equipment	(7,841,166)	(1,804,851)	83,199	(9,562,818)
	(84,419,063)	(7,818,393)	83,199	(92,154,257)
Net capital assets	$ 281,742,698	$ 42,869,001	$ (24,603,824)	$ 300,007,875

4. EMPLOYEE BENEFITS & LONG-TERM DEBT

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

2008	Beginning Balance	Additions	Retirements	Ending Balance	Due wihin One Year	Range of Interest Rates
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%
Series 2008	-	14,414,583	-	14,414,583	2,000	0% to 3%
Due to other gov't units	1,397,240	3,721,906	-	5,119,146	2,226,587	n.a.
Accrued employee benfits	988,665	709,524	(682,186)	1,016,003	310,888	n.a.
	$ 134,724,905	$ 18,846,013	$ (6,276,186)	$ 147,294,732	$ 9,027,475	

2007	Beginning Balance	Additions	Retirements	Ending Balance	Due wihin One Year	Range of Interest Rates
Revenue bonds:						
Series 2006	$ -	$ 38,050,000	$ -	$ 38,050,000	-	3.75% to 5%
Series 2004A	20,030,000	-	(3,345,000)	16,685,000	3,465,000	3% to 5%
Series 2004B	66,830,000	-	(1,050,000)	65,780,000	1,085,000	3% to 5%
SRF Loans	12,824,000	-	(1,000,000)	11,824,000	1,062,000	3%
Due to other gov't units	1,439,236	1,362,494	(1,404,490)	1,397,240	130,036	n.a.
Accrued employee benfits	934,512	774,151	(719,998)	988,665	372,531	n.a.
	$ 102,057,748	$ 40,186,645	$ (7,519,488)	$ 134,724,905	$ 6,114,567	

The amount due to other governmental units at June 30, 2007 and 2008 relates to commitments and 28E agreements that expedite sewer construction scheduled for future bond issues. The long term amount at June 30, 2008 of $2,892,559 will settle with proceeds from a future bond issue scheduled no sooner than January 1st, 2010.

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, 2008, only $14,414,583 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 no interest rate and principal balance due in 2011.

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 $29,307,819 and $28,943,267 as of June 30, 2008 and 2007.

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

The outstanding revenue bonds mature as follows:

Year	Principal	Interest
2009	6,490,000	6,288,806
2010	6,882,000	6,412,278
2011	6,895,000	6,142,499
2012	6,530,000	5,855,203
2013	3,942,000	5,588,161
2014-2018	20,010,000	25,679,597
2019-2023	21,081,000	21,384,250
2024-2028	26,962,000	15,546,820
2029-2033	31,012,583	7,948,770
2034-2038	11,355,000	918,925
	141,159,583	101,765,309

5. DEPOSITS AND INVESTMENTS

As of June 30, 2008 and 2007, the WRA had the following investments and maturities:

2008 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 total	-			-	-
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	$ 47,420,597	21,302,007	18,960,129	7,158,461	-

2007 Security Description	Current Market Value	Investment Maturities (in Years) Less than One	1-2	3-5	More than Five
Federal Farm Credit total	$ 1,596,496	$ -	$ 1,596,496	$ -	$ -
FHLB total	14,999,672	6,383,041	8,616,631	-	-
FHLB Discount total	2,447,250	2,447,250		-	-
FNMA total	5,470,460		5,470,460	-	-
FNMA Discount total	3,101,120	3,101,120		-	-
FHLMC total	14,865,403	5,980,040	7,933,104	952,259	-
FHLMC Discount total	11,299,950	11,299,950	-	-	-
Grand total	$ 53,780,351	29,211,401	23,616,691	952,259	-

Investments on the statement of net assets include certificates of deposit totaling $14,771,559 and $6,071,559 at June 30, 2008 and 2007, respectively.

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, 2008, the WRA's investments were rated as follows:

Security Description	Moody's	Standard & Poor's
Federal Farm Credit	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
FHLB Discount	Aaa	A-1+
FNMA	Aaa	AAA
FNMA Discount	Aaa	A-1+
FHLMC	Aaa	AAA
FHLMC 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, 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. As of June 30, 2007, the WRA has invested 3% in Federal Farm Credit, 28% FHLB, 4% in FHLB Discount, 10% in FNMA, 6% in FNMA Discount, 28% in FHLMC, and 21% FHLMC Discount securities.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all WRA funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2008 and 2007, 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, 2008 and 2007, 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. 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 $31,971,000 and $9,094,900 as of June 30, 2008 and 2007. 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 $6,865,200 and $3,600,900 as of June 30, 2008 and 2007, 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 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.

7. DEFEASED DEBT

In prior years, the WRA defeased certain sewer revenue refunding bonds and state revolving loans by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the WRA's financial statements. On June 30, 2008, $2.2 million of bonds outstanding are considered defeased.

8. IMPAIRMENT OF ASSETS

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

9. RISK MANAGEMENT

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

10. 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 3.90% of their annual covered salary and the WRA is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The WRA's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were $322,000, $288,000, and $281,700, respectively, equal to the required contributions for each year.

11. 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 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 premiums 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 year 2008, the WRA contributed $12,679.

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:

Annual required contribution	$ 38,431
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	38,431
Contributions and payments made	12,679
Increase in net OPEB obligation	25,752
Net OPEB obligation - July 1, 2007	$ -
Net OPEB obligation - June 30, 2008	$ 25,752

The WRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 follows. This is 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

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 results of the July 1, 2007 valuation were rolled forward to July 1, 2008. The 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) as of July 1, 2008. The covered payroll (annual payroll of active employees covered by the plan) was $5,083,700 and the ratio of the UAAL to the covered payroll was 6.5%.

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. The actuarial method 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, 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.

12. NEW PRONOUNCEMENTS

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

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions;* this Statement establishes standards for measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. As a result, the WRA recorded a liability of $25,752 and added footnote disclosures and required supplementary information pertaining to the plan.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue;* this statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues. This Statement had no effect to the WRA's financial statements.

GASB Statement No. 50, *Pension Disclosures;* this Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information (RSI) by pension plans and by employers that provide pension benefits. This Statement has no effect to the WRA's financial statements.

The GASB has issued the following statements:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the WRA beginning with its year ending June 30, 2009. 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 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.

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.

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.

Required Supplementary Information

Other Post-Employment Benefits

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percent of Covered Payroll [(b-a)/c]
2008	7/1/2007	$ -	$ 331,219	$ 331,219	0.0%	$ 5,083,700	6.5%

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.