

Des Moines Metropolitan Wastewater Reclamation Authority

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

WRA Board
Des Moines Metropolitan
Wastewater Reclamation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), as of and for the years ended June 30, 2020 and 2019, and the related notes to the basic financial statements, which collectively comprise the WRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Des Moines Metropolitan Wastewater Reclamation Authority, as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Des Moines, Iowa
December 16, 2020

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2020 and 2019

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, 2020 and 2019.

Overview of the WRA

A regional treatment plant and conveyance system to nine members of the Integrated Community Area (ICA) was constructed between 1982 and 1994 with a plan of operating through 2005. On July 1, 2004, the Wastewater Reclamation Authority reorganized under a new 28E agreement to be a legal entity that is separate from the member communities and governed by its own Board. This reorganization enabled considerable change in the conveyance system and additions to the treatment plant that allowed the connection of the remaining ICA communities to the regional treatment plant, greater/better treatment at times of over flows, and three new communities to join the WRA. During fiscal year 2014 an updated 28E agreement was adopted that increased capacity at the regional treatment plant, improved interceptors and added a force main and gravity sewer to the conveyance system. This updated 28E agreement extends the WRA to June 30, 2064 and provides planned improvements through 2032.

Participants in the WRA include the cities of Des Moines, West Des Moines, Clive, Altoona, Ankeny, Bondurant, Johnston, Pleasant Hill, Norwalk, Cumming, Waukee and Polk City; the Urbandale Sanitary Sewer District, Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District, Polk County and Warren County in the state of Iowa. The City of Grimes joined the WRA in 2020 as a non-voting participating community.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the WRA's basic financial statements. The WRA's basic financial statements comprise three components: 1) basic financial statements, 2) notes to the financial statements and 3) required supplementary information.

Basic financial statements

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

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

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

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

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2020 and 2019

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

Financial highlights

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources (net position) by \$297,398,225, \$295,166,958 and \$293,833,403 as of June 30, 2020, 2019 and 2018, respectively. At June 30, 2020, 2019 and 2018, the WRA showed \$29,395,840, \$29,038,192 and \$25,169,377, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2020, 2019 and 2018, the WRA's cash provided by operating activities was \$32,440,162, \$31,724,492 and \$26,117,448, respectively.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the WRA is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years. In 2020, the WRA's net position increased \$2,231,267 from 2019. In 2019, the WRA's net position decreased \$1,333,555 from 2018.

Table 1

	2020	2019	2018
Assets			
Current and other assets	\$ 77,952,289	\$ 75,144,484	\$ 67,975,916
Capital assets	648,511,684	628,689,846	595,574,064
Total assets	726,463,973	703,834,330	663,549,980
Deferred Outflows of Resources			
Deferred charge on refunding	588,635	661,113	736,032
Liabilities			
Current liabilities	27,980,536	26,459,295	21,908,675
Noncurrent liabilities	401,673,847	382,869,190	348,543,934
Total liabilities	429,654,383	409,328,485	370,452,609
Net Position			
Net investment in capital assets	230,515,693	231,144,135	235,327,332
Restricted assets	37,486,694	34,984,631	33,336,694
Unrestricted assets	29,395,838	29,038,192	25,169,377
Total net position	\$ 297,398,225	\$ 295,166,958	\$ 293,833,403

The increase in net position during the year ended June 30, 2020 is primarily the result of increased sales and charges for services. The increase in net position during the year ended June 30, 2019 is primarily the result of increase sales and charges for services along with increased interest income rates. The decrease in net position during the year ended 2018 is primarily the result of increase issuance expense and decrease in credits allocated to participating communities in the annual budget.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2020 and 2019

Highlights of the WRA's revenues and expenses for the years ended June 30, 2020, 2019 and 2018 are presented in Table 2:

	2020	2019	2018
Operating revenues, charges for sales and services	\$ 55,166,430	\$ 52,027,401	\$ 48,528,870
Operating expenses:			
Cost of sales and services	22,907,856	20,746,473	21,597,985
Depreciation	22,229,000	22,126,874	22,104,008
Total operating expenses	45,136,856	42,873,347	43,701,993
Operating income	10,029,574	9,154,054	4,826,877
Nonoperating revenues (expenses):			
Sales tax	1,822,413	1,385,896	2,108,966
Investment earnings	1,795,470	1,699,481	672,747
Amortization	225,969	235,890	245,393
Gain on disposal of capital assets	89,640	41,018	3,905
Interest and bond issuance expense	(11,731,799)	(11,182,784)	(10,928,923)
Nonoperating (expense)	(7,798,307)	(7,820,499)	(7,897,912)
Change in net position	\$ 2,231,267	\$ 1,333,555	\$ (3,071,035)

Total revenues were \$58,873,953 and total expenses were \$56,542,687 for the year ended June 30, 2020. Total revenues were \$55,153,796 and total expenses were \$53,820,141 for the year ended June 30, 2019. Total revenues were \$51,314,488 and total expenses were \$54,385,523 for the year ended June 30, 2018. The WRA's net operating income was \$10,553,921 for the year ended June 30, 2020, \$9,154,055 for the year ended June 30, 2019 and \$4,826,877 for the year ended June 30, 2018.

The WRA receives contributions from the member communities for debt servicing, capital and operations. The total received from the communities during the years ended June 30, 2020, 2019 and 2018 was \$49,126,793, \$46,075,301 and \$43,618,378, respectively.

Capital assets

Capital assets (net) increased by \$19,821,836 in 2020, increased by \$33,115,782 in 2019, and decreased by \$717,645 in 2018.

Bond proceeds provided funding for the long-term construction commitments for these purposes: a) to accommodate the anticipated population growth in the metro area, b) to make improvements to the wastewater facility and the conveyance system following the WRA Facility Plan Update – 2012, and 3) to fund WRA's portion of Des Moines' long-term control plan for separation of the combined sewer system.

Concentration on the capital improvements and expansion planned through the year 2032 will allow the WRA to continue its mission of protecting the public health and enhancing the environment by recycling wastewater and being the preferred treatment facility for hauled liquid waste. Please refer to Note 4 for more information on the WRA's capital assets.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2020 and 2019

Long-term debt

In 2008, the WRA authorized sewer revenue bonds under the Iowa Finance Authority's (IFA) state revolving loan program (SRF). Proceeds of the Series 2008A bonds were used to construct a sewer to connect a member community's sanitary sewer system to the WRF. WRA's active participation in IFA's program serves to finance the necessary improvements to connect more communities under the Facility Plan and to separate combined sewers of the WRA system.

In fiscal year ended June 30, 2020, the WRA authorized \$13,000,000 of debt. In fiscal year ended June 30, 2019, the WRA authorized \$35,300,000 of debt. In fiscal year ended June 30, 2018, the WRA authorized \$46,585,000 of debt. The proceeds were used to fund construction improvement projects and additions to the WRA System.

In May 2013, the WRA issued \$56,420,000 of sewer revenue refunding bonds, Series 2013B to partially advance refund \$57,450,000 of the outstanding Sewer Revenue Bonds, Series 2004B.

In May 2015, WRA issued \$32,020,000 Series 2015E bonds to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position.

Revenue bonds payable increased by \$20,676,249 in 2020, increased by \$37,534,871 in 2019 and increased by \$5,672,785 in 2018. Please refer to Note 5 for more information on the WRA's long-term debt.

Economic factors

Investment earnings were \$1,795,470, \$1,699,481 and \$672,747 for the years ended June 30, 2020, 2019 and 2018, respectively. Users of the WRA Facility consist of the regional communities including waste haulers and industries based in those communities. The WRA will not impose sewer rates and charges. The communities will continue to provide revenue to the WRA.

Request for information

These financial statements and discussions are designed to provide interested user a complete disclosure of the WRA's finances. If you have questions about this report contact Nick Schaul, 400 Robert D. Ray Dr., Des Moines, Iowa 50309.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 24,928,430	\$ 21,349,871
Accounts receivable, net	1,764,034	1,339,288
Interest receivable	55,497	102,252
Due from other governmental units	6,730,313	10,449,607
Prepaid expenses	564,015	503,466
Unrestricted current assets	34,042,289	33,744,484
Restricted current assets:		
Cash and pooled cash investments	6,402,235	1,047,558
Investments	14,939,765	19,772,442
Restricted current assets	21,342,000	20,820,000
Total current assets	55,384,289	54,564,484
Noncurrent assets:		
Restricted noncurrent assets:		
Cash and pooled cash	10,709,724	5,148,443
Investments	11,858,276	15,431,557
Capital assets:		
Land	9,218,391	9,218,391
Construction in progress	123,234,354	87,376,967
Plant	325,422,803	322,039,285
Sewer system	382,959,899	382,959,899
Machinery and equipment	84,433,687	82,404,290
	925,269,134	883,998,832
Less accumulated depreciation	276,757,450	255,308,986
Capital assets, net	648,511,684	628,689,846
Total noncurrent assets	671,079,684	649,269,846
Total assets	726,463,973	703,834,330
Deferred Outflows of Resources , deferred charge on refunding	\$ 588,635	\$ 661,113

See notes to financial statements.

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable	\$ 885,128	\$ 1,105,730
Accrued wages payable	529,676	444,056
Accrued employee benefits	1,034,383	578,893
Contracts payable	6,813,110	7,328,356
Revenue bonds payable	17,806,134	16,109,740
Accrued interest payable	912,105	892,520
Total current liabilities	27,980,536	26,459,295
Noncurrent liabilities:		
Accrued employee benefits	895,355	772,106
Revenue bonds payable	398,327,250	379,347,395
Unamortized bond premium	2,451,242	2,749,689
Total noncurrent liabilities	401,673,847	382,869,190
Total liabilities	429,654,383	409,328,485
Net Position		
Net investment in capital assets	230,515,693	231,144,135
Restricted:		
Debt service	23,744,027	22,968,404
Capital projects	13,742,667	12,016,227
Unrestricted	29,395,838	29,038,192
Total net position	\$ 297,398,225	\$ 295,166,958

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Operating revenues, charges for sales and services	\$ 55,166,430	\$ 52,027,401
Operating expenses:		
Salary and personal services	10,544,171	10,132,549
Contractual services	9,349,581	8,084,067
Commodities	3,014,104	2,529,857
Depreciation	22,229,000	22,126,874
Total operating expenses	45,136,856	42,873,347
Operating income	10,029,574	9,154,054
Nonoperating revenues (expenses):		
Sales tax	1,822,413	1,385,896
Investment earnings	1,795,470	1,699,481
Amortization of bond premium and deferred charge on refunding	225,969	235,890
Gain on disposal of capital assets	89,640	41,018
Interest and bond issuance expense	(11,731,799)	(11,182,784)
Total nonoperating (expenses)	(7,798,307)	(7,820,499)
Change in net position	2,231,267	1,333,555
Net position, beginning of year	295,166,958	293,833,403
Net position, end of year	\$ 297,398,225	\$ 295,166,958

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from users	\$ 54,964,810	\$ 51,910,274
Payments to employees	(9,879,812)	(10,179,104)
Payments to suppliers	(12,644,836)	(10,006,678)
Net cash provided by operating activities	32,440,162	31,724,492
Cash flows from investing activities:		
Investment earnings	1,529,080	1,667,928
Purchase of investments	(17,725,316)	(45,174,030)
Sales of investments	26,444,417	42,169,537
Net cash provided by (used in) investing activities	10,248,181	(1,336,565)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(42,566,086)	(53,953,318)
Receipts from sale of capital assets	89,640	41,018
Receipts from SRF drawdowns	40,876,158	48,138,314
Sales tax payments received	1,822,413	1,385,896
Principal payments on revenue bonds	(16,703,734)	(13,117,155)
Interest payments on revenue bonds	(11,629,578)	(10,885,186)
Payment of bond issuance costs	(82,639)	(258,639)
Net cash used in capital and related financing activities	(28,193,826)	(28,649,070)
Increase in cash and pooled cash	14,494,517	1,738,857
Cash and pooled cash, beginning of year	27,545,872	25,807,015
Cash and pooled cash, end of year	\$ 42,040,389	\$ 27,545,872

(Continued)

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 10,029,574	\$ 9,154,054
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,229,000	22,126,874
(Increase) decrease in accounts receivable	(424,746)	(91,738)
(Increase) decrease in due from other governmental units	223,126	(25,389)
(Increase) decrease in prepaid expenses	(60,549)	237,174
Increase (decrease) in accounts payable	(220,602)	370,073
Increase in accrued wages payable	85,620	35,974
Increase (decrease) in accrued employee benefits	578,739	(82,530)
Net cash provided by operating activities	<u>\$ 32,440,162</u>	<u>\$ 31,724,492</u>
Noncash investing activities, net depreciation in fair value of investments	<u>\$ 475,328</u>	<u>\$ 242,154</u>
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	<u>\$ 6,813,110</u>	<u>\$ 7,328,356</u>
Amounts in due from other governmental units for SRF draws	<u>\$ 6,248,959</u>	<u>\$ 9,826,826</u>

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters

General: The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) is a separate legal entity with its own Board. A joint venture was formed in 1979 in accordance with the provisions of Chapter 28E of the Code of Iowa. The WRA has been established for the purposes of planning, constructing, operating and managing regional sanitary sewer facilities. On July 1, 2004, a 28E agreement was adopted which amended and restated the previous agreement, created a separate entity, and set forth provisions to carry the WRA beyond 2005 to June 30, 2054. Four communities have joined the WRA since 2004. Supplements to the WRA agreement admitted the City of Cumming effective July 1, 2006; the City of Waukee effective July 1, 2007; the City of Polk City effective July 1, 2010; and the City of Grimes will be effective July 1, 2022.

In 2014, an updated 28E agreement was adopted: the second amended and restated WRA Agreement became effective on June 11, 2014. It extends the WRA to June 30, 2064. The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, Polk City, Waukee and West Des Moines; Urbandale Sanitary Sewer District; Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District; the Iowa counties of Polk County and Warren County, (collectively referred to as the "participating communities"). Each participating community has one representative on the Board and additional representatives for each 25,000 population.

On July 1, 2004, the City of Des Moines, Iowa (Des Moines) was designated the "operating contractor". As operating contractor Des Moines operates, maintains and manages the Wastewater Reclamation Facility and the WRA System. The employees assigned to WRA are Des Moines employees. The 20-year contract between WRA and Des Moines terminates June 30, 2024.

The first amended and restated 28E agreement set forth a schedule to fund sewer improvements and construction through 2020 that would connect all participating communities except the three communities joining the WRA since 2004 to the WRA Facility at 3000 Vandalia Road and provided funding of plant improvements. Conveyance improvements included a diversion facility west of Norwalk for storage during high flow events and a separation facility west of the main WRA Facility for treatment during high flow events with a new main outfall to bring combined flows to this facility. The improvements were detailed in the WRA Facility Plan Update-2004.

Additionally, the second amended and restated 28E agreement sets forth a schedule through 2032 that allows additional flows from north to the WRA Facility by construction of an Eastside interceptor and improvements at the existing Westside interceptor. Improvements at the main WRA Facility are planned to meet new and continuing requirements of the operating permit and to increase plant capacity. These improvements are detailed in the WRA Facility Plan Update-2012. The second amended and restated 28E agreement revised the borrowing capacity of the WRA and allows all bonds authorized and issued by the Board to be scheduled to mature so that the aggregate principal amount of all revenue bonds payable on June 30 of each year does not exceed \$675 million.

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

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

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

Basis of presentation: These financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The economic resources measurement focus and the accrual basis of accounting are used by WRA. Under this basis of accounting, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of WRA are included on the statement of net position. Revenues are recorded when earned which is when the service is provided and expenses are recorded at the time liabilities are incurred. Annually, WRA charges the participating communities for operations including maintenance and debt service in accordance with the 28E agreement, primarily based on budgeted wastewater reclamation facility flows. Sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of WRA such as charges to participating communities. Operating revenue received from the major participating communities for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
City of Des Moines	34%	32%
City of Ankeny	14	14
City of West Des Moines	12	12

Nonoperating revenues result from nonexchange transactions such as investment earnings and sales tax. Expenses associated with operating WRA and providing services are considered operating.

Cash and pooled cash: WRA maintains deposits with Des Moines as the operating contractor, which invests these deposits on a short-term basis. Des Moines allocates investment income to WRA based upon Des Moines' rate of return on pooled cash and investments and WRA's average monthly deposits balance.

Investments: Des Moines purchases investments on behalf of WRA. The investments consist of U.S. Government Agency and Treasury Securities and are valued at fair value as defined in Note 3.

Accounts receivable: WRA accrues unbilled revenues from commercial customers for industrial pretreatment services and from Fat, Oil, Grease (FOG) inspection fees based upon services rendered between the last billing date in the current year and year-end. The balance for unbilled revenues was \$1,195,124 and \$1,188,992 at June 30, 2020 and 2019, respectively. An allowance account was established for uncollectible FOG inspection fees computed as 10% of each year's fees. The balance in the allowance for doubtful accounts was approximately \$69,060 and \$68,760 at June 30, 2020 and 2019, respectively. \$300 and (\$2,690) was written off (recovered) during the years ended June 30, 2020 and 2019, respectively.

Due from other governments: WRA accrues draws submitted under the state revolving loan program based upon service dates of the contract work performed. As of June 30, 2020 and 2019, the amount due from Iowa Finance Authority (SRF Program) was \$6,248,959 and \$10,226,481, respectively. The balance for unbilled due from other governments was \$130,656 and 223,126 at June 30, 2020 and 2019, respectively. WRA also accrues any unpaid balances from participating communities at year-end. As of June 30, 2020 and 2019, there was no amount due from the State of Iowa for flood mitigation sales tax.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

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

Prepays: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Restricted assets: Restricted assets represent \$30,167,333 and \$29,383,773 of required reserve funds as established by the debt agreement and \$13,742,667 and \$12,016,227 of unspent sales tax funds restricted for future capital projects for the years ended June 30, 2020 and 2019, respectively.

Capital assets: Land, plant, machinery and equipment, 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 normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The cost of renewals and material improvements that extend asset lives in excess of \$5,000 are capitalized. The cost and accumulated depreciation of assets disposed are deleted, with any gain or loss recorded in current operations.

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. WRA has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and adjusted for any deferred charges on refundings. Net investment in capital assets excludes unspent bond proceeds. There were no unspent bond proceeds as of June 30, 2020 or 2019. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of unspent sales tax funds restricted for future capital projects totaling \$13,742,667 and \$12,016,227 as of June 30, 2020 and 2019, respectively. WRA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources and liabilities in the financial statements and accompanying notes. Actual results may differ from those estimates.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

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

Compensated absences and deferred compensation plan: Employees assigned to WRA are employees of Des Moines, the Operating Contractor. Wages and benefits are paid by WRA as a direct allocation. Employee benefits are provided under the policies of Des Moines. Under these policies, employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. If paid upon death or retirement, the total accumulated hours are paid at one-half of the then effective hourly rate for that employee, with a maximum of 750 hours per employee. These accumulations are recorded as expenses and accrued employee benefits in the fiscal year earned.

Employees working for WRA also participate in Des Moines' deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457 and also Section 401(a). The Section 457 plan, and the Section 401(a) plan are available to all WRA employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination, retirement, death, unforeseeable emergency, loan or via in-service contributions at age 70½. The WRA matches 100% of employee contributions up to 2.0% or 2.5% of the employee's salary, depending upon the governing employment agreement. Under the terms of the plan, WRA makes contributions to the plan equal to the employees' contributions; up to 4.5% for the employees referred to as supervisory, professional, and management (SPM); up to 2.5% for the employees of the Central Iowa Public Employee's Council (CIPEC); and up to 2% for the employees of the Municipal Employee's Association (MEA). In 2020 and 2019, WRA contributed approximately \$203,900 and \$173,700, respectively, to the plan.

Long-term obligations: Long-term debt is recorded as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed at the time of bond issuance.

Note 2. Related Party Transactions

WRA shares certain expenses with Des Moines in accordance with the provisions of the WRA Operating Contract. WRA incurred wages and employee benefit costs in 2020 and 2019 of approximately \$10,544,200 and \$10,132,500, respectively, for employees working for WRA. During the years ended June 30, 2020 and 2019, WRA paid allocations of approximately \$1,383,500 (24%) and \$1,467,000 (22%), respectively, to Des Moines for shared expenses relating to pumping stations maintenance.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments

As of June 30, 2020 and 2019, WRA had the following investments and maturities:

Security Description	2020			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FFCB	\$ 7,265,912	\$ 4,673,971	\$ 2,591,941	\$ -
FNMA	6,659,942	-	6,659,942	-
FHLB	5,688,972	-	5,688,972	-
FHLMC	1,000,461	1,000,461	-	-
Treasury Note	6,182,754	2,287,617	3,895,137	-
Grand total	<u>\$ 26,798,041</u>	<u>\$ 7,962,049</u>	<u>\$ 18,835,992</u>	<u>\$ -</u>

Security Description	2019			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FFCB	\$ 8,487,165	\$ 4,002,680	\$ 1,987,260	\$ 2,497,225
FHLB	9,859,201	-	9,859,201	-
FHLMC	15,363,543	5,185,418	10,178,125	-
Treasury Note	1,494,090	-	-	1,494,090
Grand total	<u>\$ 35,203,999</u>	<u>\$ 9,188,098</u>	<u>\$ 22,024,586</u>	<u>\$ 3,991,315</u>

Authorized investments: WRA appointed the City Treasurer of Des Moines as the WRA Treasurer. The investment policy of WRA directs the funds to be invested in the same manner as Des Moines Funds are invested under the Des Moines investment policy. WRA is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Des Moines and the Treasurer of the State of Iowa; prime eligible bankers acceptances; commercial paper rated P-1 by Moody's Commercial Paper Record and A-1 by Standard & Poor's Corporation with a maturity of 270 days; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage districts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity the fair value is to changes in market interest rates. In accordance with WRA's investment policy, WRA minimizes the interest rate risk of investments in the portfolio by structuring its investment portfolio so that investments mature to meet cash requirements for operations. The WRA investment policy defines operating funds as those funds that can be reasonably expended during a current budget year or within 15 months of receipt. Operating funds are limited to a maturity of 397 days. Non-operating funds are to be invested to coincide with the expected use of the funds. WRA's investment policy requires that nonoperating funds not exceed a five-year maturity.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

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, 2019 and 2020, WRA's investments were rated as follows:

Security Description	Moody's	Standard & Poor's
FFCB	Aaa	AA+
FNMA	Aaa	AA+
FHLB	Aaa	AA+
FHLMC	Aaa	AA+

Concentration of credit risk: The WRA's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the WRA to meet all anticipated cash requirements. The policy limits investments in order to avoid over-concentration in securities of a specific issuer. No more than 10% of the investment portfolio may be invested in commercial paper and no more than 50% of the investment portfolio is invested in securities of a single issuer. As of June 30, 2020, WRA had invested 21% in FHLB, 25% in FNMA, 4% in FHLMC, 27% in FFCB and 23% in treasury notes. As of June 30, 2019, WRA had invested 28% in FHLB, 44% in FHLMC, 24% in FFCB and 4% in treasury notes.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2020 and 2019, WRA's deposits with financial institutions were entirely covered by the federal depository insurance or collateralized by the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa.

As of June 30, 2020 and 2019, WRA's investments are unregistered and uninsured and held by the counter party's trust department or their agent in the name of WRA.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Fair value: Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* provides guidance for determining a fair value measurement for financial reporting purposes.

The WRA uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The WRA has the following recurring fair value measurements as of June 30:

Security Description	2020			
	Fair Value	Level 1	Level 2	Level 3
FFCB	\$ 7,265,912	\$ -	\$ 7,265,912	\$ -
FNMA	6,659,942	-	6,659,942	-
FHLB	5,688,972	-	5,688,972	-
FHLMC	1,000,461	-	1,000,461	-
Treasury note	6,182,754	-	6,182,754	-
Grand total	<u>\$ 26,798,041</u>	<u>\$ -</u>	<u>\$ 26,798,041</u>	<u>\$ -</u>

Security Description	2019			
	Fair Value	Level 1	Level 2	Level 3
FFCB	\$ 8,487,165	\$ -	\$ 8,487,165	\$ -
FHLB	9,859,201	-	9,859,201	-
FHLMC	15,363,543	-	15,363,543	-
Treasury note	1,494,090	-	1,494,090	-
Grand total	<u>\$ 35,203,999</u>	<u>\$ -</u>	<u>\$ 35,203,999</u>	<u>\$ -</u>

The WRA level two investments are valued using inputs that are either directly or indirectly observable as of the reporting date and fair value can be determined through the use of models or other valuation methodologies. The WRA has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of GASB Statement No. 72.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 4. Capital Assets

The following tables show the changes in capital assets for the years ended June 30, 2020 and 2019:

	2020			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ -	\$ 9,218,391
Construction in progress	87,376,967	41,291,599	(5,434,212)	123,234,354
	<u>96,595,358</u>	<u>41,291,599</u>	<u>(5,434,212)</u>	<u>132,452,745</u>
Depreciable capital assets:				
Plant	322,039,285	3,383,518	-	325,422,803
Sewer system	382,959,899	-	-	382,959,899
Machinery and equipment	82,404,290	2,809,933	(780,536)	84,433,687
	<u>787,403,474</u>	<u>6,193,451</u>	<u>(780,536)</u>	<u>792,816,389</u>
Less accumulated depreciation:				
Plant	(128,972,264)	(9,457,089)	-	(138,429,353)
Sewer system	(84,702,138)	(7,802,754)	-	(92,504,892)
Machinery and equipment	(41,634,584)	(4,969,157)	780,536	(45,823,205)
	<u>(255,308,986)</u>	<u>(22,229,000)</u>	<u>780,536</u>	<u>(276,757,450)</u>
Net capital assets	<u>\$ 628,689,846</u>	<u>\$ 25,256,050</u>	<u>\$ (5,434,212)</u>	<u>\$ 648,511,684</u>
	2019			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ -	\$ 9,218,391
Construction in progress	37,728,424	53,354,909	(3,706,366)	87,376,967
	<u>46,946,815</u>	<u>53,354,909</u>	<u>(3,706,366)</u>	<u>96,595,358</u>
Depreciable capital assets:				
Plant	320,565,691	1,473,594	-	322,039,285
Sewer system	381,899,876	1,060,023	-	382,959,899
Machinery and equipment	80,164,591	3,060,496	(820,797)	82,404,290
	<u>782,630,158</u>	<u>5,594,113</u>	<u>(820,797)</u>	<u>787,403,474</u>
Less accumulated depreciation:				
Plant	(119,515,175)	(9,457,089)	-	(128,972,264)
Sewer system	(76,899,384)	(7,802,754)	-	(84,702,138)
Machinery and equipment	(37,588,350)	(4,867,031)	820,797	(41,634,584)
	<u>(234,002,909)</u>	<u>(22,126,874)</u>	<u>820,797</u>	<u>(255,308,986)</u>
Net capital assets	<u>\$ 595,574,064</u>	<u>\$ 36,822,148</u>	<u>\$ (3,706,366)</u>	<u>\$ 628,689,846</u>

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds

The following tables show the changes in long-term debt and employee benefits for the years ended June 30, 2020 and 2019:

	2020				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
Series 2013B	\$ 46,805,000	\$ -	\$ (2,265,000)	\$ 44,540,000	\$ 2,605,000
Series 2015E	28,480,000	-	(1,245,000)	27,235,000	1,305,000
Direct borrowings and direct placements:					
New SRF loans	317,060,395	37,313,855	(11,007,000)	343,367,250	12,905,000
Subordinate SRF	3,111,740	66,128	(2,186,734)	991,134	991,134
Add premiums	2,749,689	-	(298,447)	2,451,242	-
Total revenue bonds, net	398,206,824	37,379,983	(17,002,181)	418,584,626	17,806,134
Accrued employee benefits	1,350,999	1,270,223	(691,484)	1,929,738	1,034,383
Total	<u>\$ 399,557,823</u>	<u>\$ 38,650,206</u>	<u>\$ (17,693,665)</u>	<u>\$ 420,514,364</u>	<u>\$ 18,840,517</u>
	2019				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
Series 2013B	\$ 48,730,000	\$ -	\$ (1,925,000)	\$ 46,805,000	\$ 2,265,000
Series 2015E	29,665,000	-	(1,185,000)	28,480,000	1,245,000
Direct borrowings and direct placements:					
New SRF loans	276,168,587	50,160,423	(9,268,615)	317,060,395	10,413,000
Subordinate SRF	3,358,677	491,603	(738,540)	3,111,740	2,186,740
Add premiums	3,060,500	-	(310,811)	2,749,689	-
Total revenue bonds, net	360,982,764	50,652,026	(13,427,966)	398,206,824	16,109,740
Accrued employee benefits	1,433,529	715,500	(798,030)	1,350,999	578,893
Total	<u>\$ 362,416,293</u>	<u>\$ 51,367,526</u>	<u>\$ (14,225,996)</u>	<u>\$ 399,557,823</u>	<u>\$ 16,688,633</u>

Revenue bonds: All senior revenue bonds require principal and interest payments annually each June 1st based on amortization schedules approved by the WRA Board when debt is authorized. Subordinate debt has no principal payment scheduled until it is refunded by issuing senior debt for the same construction project. Management estimates the due within one year based on the subordinate debt that will be refunded to senior debt in the next fiscal year. Principal payments for bonds in the SRF program begin after construction is completed and the project is accepted by the WRA Board.

In May 2013, WRA issued \$56,420,000 Series 2013B bonds with interest rates ranging from 2% to 4% to partially advance refund \$57,450,000 of the outstanding Sewer Revenue Bonds, Series 2004B.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

In May 2015, WRA issued \$32,020,000 Series 2015E bonds with interest rates ranging from 2.25% to 5% to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position. At June 30, 2020, \$28,480,000 of defeased bonds remain outstanding.

In February 2008, WRA issued bonds under the Iowa Finance Authority state revolving loan program (SRF) to finance various construction projects. Each bond series under the state revolving loan program is issued for specific projects with repayments scheduled over the life of the asset or up to thirty years. WRA draws the proceeds as needed for the projects with principal payments on the bonds beginning after completion of the construction.

Bonds issued during the years ended June 30, 2020 and 2019 totaled \$37,346,031 and \$50,160,423, respectively. During fiscal years 2020 and 2019, WRA also issued \$33,952 and \$491,603, respectively, subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2020 and 2019, respectively. The interim loan and disbursement agreement with Iowa Finance Authority for the subordinate bonds state these are noninterest bearing until they are refunded into a permanent loan.

The state revolving loans require WRA to produce and maintain net revenues at a level not less than 100% of the amount of principal and interest on the revenue bonds. In addition, the revenue bonds require that monies be deposited into various restricted reserve accounts and that these deposits be used only for the payment of principal and interest on the related bonds when due or for other purposes as set forth in the bond agreement. The deposits in these restricted reserve accounts total \$30,167,333 and \$29,383,773 as of June 30, 2020 and 2019, respectively.

Included within the SRF loans are \$2,000,000 Series 2010 C1 bonds, which are Build America Bonds, issued in June 2010. The WRA has elected to receive future payments from the federal government to offset the 3% interest. The payments are equal to 35% of the interest paid; the net interest rate is 1.95%.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The following tables show the detail of revenue bonds payable.

2020						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2020
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	1.75	\$ 16,520,000	\$ 12,332,000
2008 B	6/4/2008	6,575,000	6/1/2039	1.75	6,575,000	4,906,000
2008 D	6/4/2008	2,650,000	6/1/2038	1.75	2,332,000	1,899,000
2009 B	3/18/2009	8,400,000	6/1/2039	1.75	8,400,000	6,328,000
2009 C	7/5/2009	9,200,000	6/1/2039	1.75	9,200,000	6,929,000
2010 A	5/12/2010	8,500,000	6/1/2040	3	8,500,000	6,644,000
2010 B	5/12/2010	7,000,000	6/1/2040	3	7,000,000	5,471,000
2010 C1	6/30/2010	2,000,000	6/1/2032	3	2,000,000	1,992,000
2010 C2	6/30/2010	21,500,000	6/1/2032	3	21,404,800	14,006,000
2011 A	5/25/2011	60,000,000	6/1/2042	3	60,000,000	50,149,000
2011 B	3/23/2011	16,000,000	6/1/2041	3	15,890,000	12,840,000
2011 C	5/25/2011	9,600,000	6/1/2041	3	9,600,000	7,768,000
2011 D	12/21/2011	15,470,000	6/1/2043	2.4	15,414,861	13,141,861
2012 B	5/16/2012	2,772,000	6/1/2042	3	2,772,000	2,316,000
2012 C	5/16/2012	18,000,000	6/1/2043	3	18,000,000	15,508,000
2012 D	5/16/2012	7,000,000	6/1/2042	3	7,000,000	5,849,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,474	10,432,474
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,222,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.27	24,200,000	21,073,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	6,660,000
2013 B	5/2/2013	56,420,000	6/1/2034	3 to 4	N/A	44,540,000
2014A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,333,000
2014C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	3,554,880
2014D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	4,632,000
2015A	1/30/2015	10,080,000	6/1/2035	0.75	9,200,706	7,096,300
2015B	1/30/2015	370,000	6/1/2034	1.75	370,000	269,000
2015C	1/30/2015	1,744,000	6/1/2035	0.75	1,744,000	1,355,000
2015E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	27,235,000
2016A	2/5/2016	8,000,000	6/1/2035	1.75	7,947,600	6,157,617
2016E	12/16/2016	660,000	6/1/2036	1.75	634,180	500,180
2016F	12/16/2016	40,000,000	6/1/2048	2.75	38,274,227	36,567,227
2017A	12/15/2017	38,000,000	6/1/2049	2.75	36,429,841	35,829,841
2017B	12/15/2017	1,600,000	10/28/2019	0	406,211	406,211
2018A	5/18/2018	4,200,000	6/1/2040	2.75	4,200,000	4,200,000
2018B	6/29/2018	585,000	10/28/2019	0	584,923	584,923
2018 D1	12/7/2018	11,000,000	6/1/2039	.78	11,000,000	10,950,000
2018 D2	12/7/2018	8,000,000	6/1/2039	2.75	8,000,000	7,999,000
2018E	12/7/2018	11,300,000	6/1/2040	1.75	7,486,013	7,486,013
2018F	12/7/2018	6,000,000	6/1/2039	1.75	2,190,163	1,943,163
2019A	12/20/2019	12,000,000	6/1/2039	1.75	6,576,694	6,027,694
					Balance due	416,133,384
				Amount due within one year		17,806,134
				Long-term revenue bonds payable		<u>\$ 398,327,250</u>

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The outstanding revenue bonds mature as follows:

Fiscal year:	Senior Bonds		Direct borrowing and direct placements	
	Principal	Interest	Principal	Interest
2021	\$ 3,910,000	\$ 2,505,369	\$ 13,896,134	\$ 9,153,102
2022	4,040,000	2,361,969	13,244,000	8,917,263
2023	4,195,000	2,213,269	13,604,000	8,591,475
2024	4,310,000	2,098,219	13,967,000	8,254,491
2025	4,445,000	1,968,919	14,351,000	7,907,851
2026-2030	24,225,000	7,626,719	76,997,163	33,855,872
2031-2035	24,510,000	2,890,325	80,358,587	23,066,648
2036-2040	2,140,000	74,900	70,976,088	12,644,591
2041-2045	-	-	37,238,334	4,208,990
2046-2050	-	-	9,726,078	736,572
	<u>\$ 71,775,000</u>	<u>\$ 21,739,689</u>	<u>\$ 344,358,384</u>	<u>\$ 117,336,855</u>

Note 6. Commitments and Contingencies

Construction contracts: WRA has signed construction contracts with remaining commitments of approximately \$28,101,376 as of June 30, 2020. Commitments on construction projects are funded primarily by state revolving loan program funds.

Litigation: WRA is subject to litigation in the normal course of operations. Management does not expect a material adverse outcome as a result of these actions.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries and their political subdivision. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to WRA. The extent to which COVID-19 may affect WRA's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 7. Risk Management

The WRA system is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disasters. WRA carries commercial insurance for general liability claims. Settled claims did not exceed commercial coverage in the past three years.

Des Moines is self-insured for medical benefits. WRA makes monthly contributions to Des Moines' Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims, or incurred but not reported claims, are a liability of Des Moines' Insurance Fund.

Note 8. Retirement System

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

Plan members for the years ended June 30, 2020 and 2019 were required to contribute 6.29 and 5.95%, respectively, of their annual covered salary and Des Moines was required to contribute 9.44% and 8.93%, respectively, of annual payroll for the years ended June 30, 2020 and 2019. Contribution requirements are established by State statute.

Note 9. Other Postemployment Benefits

As a direct allocation from Des Moines, WRA contributes the current required contributions as stated in the operating contractor agreement for the employees working for WRA related to Des Moines multi-employer health care plan that provides medical, prescription drugs and dental benefits to all active and retired employees and their eligible dependents including employees working for WRA. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits. Eligible retirees and their dependents receive medical and prescription coverage through a fully-insured plan with Wellmark BCBS and dental benefits through a self-insured plan. These are the same plans that are available for active employees.

Contributions are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group is 62. Retiree expenses are then offset by monthly contributions.

Des Moines establishes and amends contribution requirements, which currently is to pay health claims as they occur.

The WRA's direct allocation of the contribution based on pay as you go financing to the other postemployment benefits plan for the years ended June 30, 2020, 2019 and 2018 were approximately \$700,000, \$704,900 and \$652,700, respectively, equal to the required contributions for each year.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 10. New Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, will be effective immediately for the District. The objective of Statement No. 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by delaying the effective dates of pronouncements not yet adopted by 12-18 months. The following pronouncements have been updated to reflect the new effective dates.

As of June 30, 2020, the GASB has issued several statements not yet implemented by WRA. The statements which may impact WRA are as follows:

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the WRA beginning with its fiscal year ending June 30, 2022, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the WRA must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued June 2020, will be effective for the beginning with fiscal year June 30, 2022. The primary objective of Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The WRA's management has not yet determined the impact of the Statements not yet implemented.

Note 11. Subsequent Events

On August 18, 2020 the WRA's Board authorized Series 2020A, a subordinate loan for \$800,000 purpose of design pumping station improvements to WRA system.

On August 18, 2020, the WRA's Board authorized a rate reset on sewer revenue bonds, Series 2010A and 2010B. After June 1, 2020, the interest rate reduced from 3% to 1.75%.

On October 20, 2020, the WRA's Board authorized the amendment of Series 2018D-2 in the amount of \$8,281,000 to provide funding for a sponsored project.

On November 17, 2020 the WRA's Board authorized the issuance of \$11,200,000 sewer revenue bonds, Series 2020B for the purpose of constructing, installing and extending certain facilities and improvements to the WRA system. Series 2020B will amortize over twenty years with interest rate of 1.75%.

