

Des Moines Metropolitan Wastewater Reclamation Authority

Financial Report
June 30, 2021

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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, 2021 and 2020, 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, 2021 and 2020, 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
February 28, 2022

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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 \$298,603,041, \$297,398,225 and \$295,166,958 as of June 30, 2021, 2020 and 2019, respectively. At June 30, 2021, 2020 and 2019, the WRA showed \$34,125,405, \$36,208,949 and \$29,038,192, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2021, 2020 and 2019, the WRA's cash provided by operating activities was \$34,939,483, \$32,440,162 and \$31,724,492, 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 2021, the WRA's net position increased \$1,204,816 from 2020. In 2020, the WRA's net position increased \$2,231,267 from 2019.

Table 1

	2021	2020	2019
Assets			
Current and other assets	\$ 75,063,576	\$ 77,952,289	\$ 75,144,484
Capital assets	648,500,591	648,511,684	628,689,846
Total assets	723,564,167	726,463,973	703,834,330
Deferred Outflows of Resources	-	588,635	661,113
Liabilities			
Current liabilities	24,955,374	27,980,536	26,459,295
Noncurrent liabilities	398,930,566	401,673,847	382,869,190
Total liabilities	423,885,940	429,654,383	409,328,485
Deferred inflows of Resources	1,075,186	-	-
Net Position			
Net investment in capital assets	227,829,610	223,702,582	231,144,135
Restricted	36,648,026	37,486,694	34,984,631
Unrestricted	34,125,405	36,208,949	29,038,192
Total net position	\$ 298,603,041	\$ 297,398,225	\$ 295,166,958

The increase in net position during the year ended June 30, 2021 is primarily the result of increased sales and charges for services. 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.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2021 and 2020

Highlights of the WRA's revenues and expenses for the years ended June 30, 2021, 2020 and 2019 are presented in Table 2:

	2021	2020	2019
Operating revenues, charges for sales and services	\$ 57,570,501	\$ 55,166,430	\$ 52,027,401
Operating expenses:			
Cost of sales and services	23,268,146	22,907,856	20,746,473
Depreciation	23,727,412	22,229,000	22,126,874
Total operating expenses	46,995,558	45,136,856	42,873,347
Operating income	10,574,943	10,029,574	9,154,054
Nonoperating revenues (expenses):			
Sales tax	2,049,032	1,822,413	1,385,896
Investment earnings	171,741	1,795,470	1,699,481
Amortization	214,904	225,969	235,890
Gain on disposal of capital assets	47,342	89,640	41,018
Interest and bond issuance expense	(11,853,146)	(11,731,799)	(11,182,784)
Nonoperating (expense)	(9,370,127)	(7,798,307)	(7,820,499)
Change in net position	\$ 1,204,816	\$ 2,231,267	\$ 1,333,555

Total revenues were \$59,838,616 and total expenses were \$58,633,800 for the year ended June 30, 2021. Total revenues were \$58,873,953 and total expenses were \$56,642,686 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. The WRA's net operating income was \$10,574,943 for the year ended June 30, 2021, \$10,029,574 for the year ended June 30, 2020 and \$9,154,055 for the year ended June 30, 2019. Investment earnings decreased \$1,623,999 due to yields available in the market place.

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, 2021, 2020 and 2019 was \$49,300,110, \$49,126,793 and \$46,075,301, respectively.

Capital assets

Capital assets (net) decreased by \$11,093 in 2021, increased by \$19,821,836 in 2020, and increased by \$33,115,782 in 2019.

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 c) 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, 2021 and 2020

Long-term debt

WRA's active participation in Iowa Finance Authority's (IFA) program serves to finance the necessary improvements to connect more communities under the Facility Plan and to separate combined sewers of the WRA system. 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, 2021, the WRA authorized \$12,281,000 of new direct placement debt. In fiscal year ended June 30, 2020, the WRA authorized \$13,000,000 of SRF debt. In fiscal year ended June 30, 2019, the WRA authorized \$35,300,000 of SRF debt. The proceeds were used to fund construction improvement projects and additions to the WRA System.

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.

In April 2021, WRA issued \$37,380,000 of sewer revenue bonds, Series 2021A bonds to current refund \$41,935,000 of the outstanding Sewer Revenue Bonds, Series 2013B.

Revenue bonds payable decreased by \$6,124,482 in 2021, increased by \$20,676,249 in 2020 and increased by \$37,534,871 in 2019. Please refer to Note 5 for more information on the WRA's long-term debt.

Economic factors

Investment earnings were \$171,741, \$1,795,470 and \$1,699,481 for the years ended June 30, 2021, 2020 and 2019, 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. The WRA will continue to generate significant revenue from the sale of Renewable Natural Gas (RNG) produced by the WRF Biogas Conditioning & Injection Facility for the foreseeable future and currently is under contract with an off taker for the purchase of RNG until 2031.

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, 2021 and 2020**

	2021	2020
Assets		
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 26,845,127	\$ 24,928,430
Accounts receivable, net	1,999,901	1,764,034
Interest receivable	96,352	55,497
Due from other governmental units	3,438,118	6,730,313
Prepaid expenses	264,078	564,015
Unrestricted current assets	32,643,576	34,042,289
Restricted current assets:		
Cash and pooled cash	6,261,524	6,402,235
Investments	15,469,476	14,939,765
Restricted current assets	21,731,000	21,342,000
Total current assets	54,374,576	55,384,289
Noncurrent assets:		
Restricted noncurrent assets:		
Cash and pooled cash	7,681,489	10,709,724
Investments	13,007,511	11,858,276
Capital assets:		
Land	9,218,391	9,218,391
Construction in progress	48,323,263	123,234,354
Plant	356,983,353	325,422,803
Sewer system	449,167,922	382,959,899
Machinery and equipment	80,670,178	84,433,687
	944,363,107	925,269,134
Less accumulated depreciation	295,862,516	276,757,450
Capital assets, net	648,500,591	648,511,684
Total noncurrent assets	669,189,591	671,079,684
Total assets	723,564,167	726,463,973
Deferred Outflows of Resources , deferred charge on refunding	-	588,635

See notes to financial statements.

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable	\$ 754,869	\$ 885,128
Accrued wages payable	570,109	529,676
Accrued employee benefits	1,190,072	1,034,383
Contracts payable	4,918,426	6,813,110
Revenue bonds payable	16,668,000	17,806,134
Accrued interest payable	853,898	912,105
Total current liabilities	24,955,374	27,980,536
Noncurrent liabilities:		
Accrued employee benefits	921,197	895,355
Revenue bonds payable	393,340,902	398,327,250
Unamortized bond premium	4,668,467	2,451,242
Total noncurrent liabilities	398,930,566	401,673,847
Total liabilities	423,885,940	429,654,383
Deferred Inflows of Resources , deferred charge on refunding	1,075,186	-
Net Position		
Net investment in capital assets	227,829,610	223,702,582
Restricted:		
Debt service	24,141,312	23,744,027
Capital projects	12,506,714	13,742,667
Unrestricted	34,125,405	36,208,949
Total net position	\$ 298,603,041	\$ 297,398,225

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020**

	2021	2020
Operating revenues, charges for sales and services	\$ 57,570,501	\$ 55,166,430
Operating expenses:		
Salary and personal services	10,401,467	10,544,171
Contractual services	10,356,658	9,349,581
Commodities	2,510,021	3,014,104
Depreciation	23,727,412	22,229,000
Total operating expenses	46,995,558	45,136,856
Operating income	10,574,943	10,029,574
Nonoperating revenues (expenses):		
Sales tax	2,049,032	1,822,413
Investment earnings	171,741	1,795,470
Amortization of bond premium and deferred charge on refunding	214,904	225,969
Gain on disposal of capital assets	47,342	89,640
Interest and bond issuance expense	(11,853,146)	(11,731,799)
Total nonoperating (expenses)	(9,370,127)	(7,798,307)
Change in net position	1,204,816	2,231,267
Net position, beginning of year	297,398,225	295,166,958
Net position, end of year	\$ 298,603,041	\$ 297,398,225

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Receipts from users	\$ 57,818,122	\$ 54,964,810
Payments to employees	(10,179,503)	(9,879,812)
Payments to suppliers	(12,699,136)	(12,644,836)
Net cash provided by operating activities	34,939,483	32,440,162
Cash flows from investing activities:		
Investment earnings	596,596	1,529,080
Purchase of investments	(75,771,846)	(17,725,316)
Sales of investments	73,627,190	26,444,417
Net cash (used in) provided by investing activities	(1,548,060)	10,248,181
Cash flows from capital and related financing activities:		
Purchase of capital assets	(25,610,995)	(42,566,086)
Receipts from sale of capital assets	47,342	89,640
Receipts from SRF drawdowns	18,661,290	40,876,158
Sales tax payments received	2,049,032	1,822,413
Proceeds from revenue bonds	39,881,713	-
Principal payments on revenue bonds	(59,354,931)	(16,703,734)
Interest payments on revenue bonds	(10,035,987)	(11,629,578)
Payment of bond issuance costs	(281,136)	(82,639)
Net cash used in capital and related financing activities	(34,643,672)	(28,193,826)
(Decrease) increase in cash and pooled cash	(1,252,249)	14,494,517
Cash and pooled cash, beginning of year	42,040,389	27,545,872
Cash and pooled cash, end of year	\$ 40,788,140	\$ 42,040,389

(Continued)

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows (Continued)

Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 10,574,943	\$ 10,029,574
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,727,412	22,229,000
(Increase) in accounts receivable	(235,867)	(424,746)
Decrease in due from other governmental units	481,354	223,126
Decrease (increase) in prepaid expenses	299,937	(60,549)
(Decrease) in accounts payable	(130,260)	(220,602)
Increase in accrued wages payable	40,433	85,620
Increase in accrued employee benefits	181,531	578,739
Net cash provided by operating activities	<u>\$ 34,939,483</u>	<u>\$ 32,440,162</u>
Noncash investing activities, net depreciation in fair value of investments	<u>\$ (421,018)</u>	<u>\$ 475,328</u>
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	<u>\$ 4,918,426</u>	<u>\$ 6,813,110</u>
Amounts in due from other governmental units for SRF draws	<u>\$ 3,305,637</u>	<u>\$ 6,248,959</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, 2021 and 2020 are as follows:

	2021	2020
City of Des Moines	24%	34%
City of Ankeny	23	14
City of West Des Moines	10	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 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 \$1,487,833 and \$1,195,124 at June 30, 2021 and 2020, 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 at both June 30, 2021 and 2020. \$540 and \$300 was written off (recovered) during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the amount due from Iowa Finance Authority (SRF Program) was \$3,305,637 and \$6,248,959, respectively. The balance for unbilled due from other governments was \$83,425 and \$130,656 at June 30, 2021 and 2020, respectively. WRA also accrues any unpaid balances from participating communities at year-end. As of June 30, 2021 and 2020, 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 \$29,859,286 and \$30,167,333 of required reserve funds as established by the debt agreement and \$12,506,714 and \$13,742,667 of unspent sales tax funds restricted for future capital projects for the years ended June 30, 2021 and 2020, 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.

Deferred inflows of resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) 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, 2021 or 2020. 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 \$12,506,714 and \$13,742,667 as of June 30, 2021 and 2020, 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 and deferred inflows of resources 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 2021 and 2020, WRA contributed approximately \$155,700 and \$203,900, 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.

Reclassifications: Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on ending net position or changes in net position.

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 2021 and 2020 of approximately \$10,401,500 and \$10,544,200, respectively, for employees working for WRA. During the years ended June 30, 2021 and 2020, WRA paid allocations of approximately \$1,574,300 (24%) and \$1,383,500 (24%), 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, 2021 and 2020, WRA had the following investments and maturities:

Security Description	2021			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FFCB	\$ 2,558,332	\$ -	\$ 2,558,332	\$ -
FNMA	6,531,791	6,531,791	-	-
FHLB	5,562,046	5,562,046	-	-
Treasury Bill	9,995,746	9,995,746	-	-
Treasury Note	3,829,072	2,289,287	1,539,785	-
Grand total	<u>\$ 28,476,987</u>	<u>\$ 24,378,870</u>	<u>\$ 4,098,117</u>	<u>\$ -</u>

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>

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, 2020 and 2021, 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, 2021, WRA had invested 20% in FHLB, 23% in FNMA, and 9% in FFCB. As of June 30, 2020, WRA had invested 21% in FHLB, 25% in FNMA, 4% in FHLMC, and 27% in FFCB.

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, 2021 and 2020 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, 2021 and 2020, 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	2021			
	Fair Value	Level 1	Level 2	Level 3
FFCB	\$ 2,558,332	\$ -	\$ 2,558,332	\$ -
FNMA	6,531,791	-	6,531,791	-
FHLB	5,562,046	-	5,562,046	-
Treasury bill	9,995,746	-	9,995,746	-
Treasury note	3,829,072	-	3,829,072	-
Grand total	<u>\$ 28,476,987</u>	<u>\$ -</u>	<u>\$ 28,476,987</u>	<u>\$ -</u>

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>

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, 2021 and 2020:

	2021			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ -	\$ 9,218,391
Construction in progress	123,234,354	23,326,131	(98,237,222)	48,323,263
	<u>132,452,745</u>	<u>23,326,131</u>	<u>(98,237,222)</u>	<u>57,541,654</u>
Depreciable capital assets:				
Plant	325,422,803	31,560,550	-	356,983,353
Sewer system	382,959,899	66,208,023	-	449,167,922
Machinery and equipment	84,433,687	858,837	(4,622,346)	80,670,178
	<u>792,816,389</u>	<u>98,627,410</u>	<u>(4,622,346)</u>	<u>886,821,453</u>
Less accumulated depreciation:				
Plant	(138,429,353)	(10,379,841)	-	(148,809,194)
Sewer system	(92,504,892)	(8,475,434)	-	(100,980,326)
Machinery and equipment	(45,823,205)	(4,872,137)	4,622,346	(46,072,996)
	<u>(276,757,450)</u>	<u>(23,727,412)</u>	<u>4,622,346</u>	<u>(295,862,516)</u>
Net capital assets	<u>\$ 648,511,684</u>	<u>\$ 98,226,129</u>	<u>\$ (98,237,222)</u>	<u>\$ 648,500,591</u>
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>

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, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
Series 2013B	\$ 44,540,000	\$ -	\$ (44,540,000)	\$ -	\$ -
Series 2015E	27,235,000	-	(1,305,000)	25,930,000	1,375,000
Series 2021A	-	37,380,000	-	37,380,000	2,025,000
Direct borrowings and direct placements:					
New SRF loans	343,367,250	15,390,075	(12,925,000)	345,832,325	13,268,000
Subordinate SRF	991,134	460,374	(584,931)	866,577	-
Add premiums	2,451,242	4,095,948	(1,878,723)	4,668,467	-
Total revenue bonds, net	418,584,626	57,326,397	(61,233,654)	414,677,369	16,668,000
Accrued employee benefits	1,929,738	872,440	(690,909)	2,111,269	1,190,072
Total	<u>\$ 420,514,364</u>	<u>\$ 58,198,837</u>	<u>\$ (61,924,563)</u>	<u>\$ 416,788,638</u>	<u>\$ 17,858,072</u>
	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>

Revenue bonds: All senior revenue bonds require principal and interest payments annually each June 1 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% and maturing on June 1, 2034 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% and maturing June 1, 2036 on 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, 2021, \$0 of defeased bonds remain outstanding.

In April 2021, WRA issued \$37,380,000 Series 2021A bonds with interest rates ranging from 1.5% to 5% and maturing June 1, 2034 to current refund \$41,935,000 of the outstanding Sewer Revenue Bonds, Series 2013B. The refunding was done to reduce aggregate debt service payments by \$8,293,597 over the next fourteen years and obtain an economic gain (difference between the present values of the old debt and new debt service payments) of \$6,906,885.

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, 2021 and 2020 totaled \$15,390,075 and \$37,313,855, respectively. During fiscal years 2021 and 2020, WRA also issued \$460,374 and \$66,128, respectively, subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2021 and 2020, 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 \$29,859,286 and \$30,167,333 as of June 30, 2021 and 2020, 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.

2021						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2021
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	1.75	\$ 16,520,000	\$ 11,841,000
2008 B	6/4/2008	6,575,000	6/1/2039	1.75	6,575,000	4,711,000
2008 D	6/4/2008	2,650,000	6/1/2038	1.75	2,332,000	1,820,000
2009 B	3/18/2009	8,400,000	6/1/2039	1.75	8,400,000	6,082,000
2009 C	7/5/2009	9,200,000	6/1/2039	1.75	9,200,000	6,660,000
2010 A	5/12/2010	8,500,000	6/1/2040	1.75	8,500,000	6,403,000
2010 B	5/12/2010	7,000,000	6/1/2040	1.75	7,000,000	5,272,000
2010 C1	6/30/2010	2,000,000	6/1/2032	1.75	2,000,000	1,991,000
2010 C2	6/30/2010	21,500,000	6/1/2032	1.75	21,404,800	13,033,000
2011 A	5/25/2011	60,000,000	6/1/2042	1.75	60,000,000	48,553,000
2011 B	3/23/2011	16,000,000	6/1/2041	1.75	15,890,000	12,404,000
2011 C	5/25/2011	9,600,000	6/1/2041	1.75	9,600,000	7,504,000
2011 D	12/21/2011	15,470,000	6/1/2043	2.40	15,414,861	12,717,861
2012 B	5/16/2012	2,772,000	6/1/2042	3.00	2,772,000	2,242,000
2012 C	5/16/2012	18,000,000	6/1/2043	3.00	18,000,000	15,044,000
2012 D	5/16/2012	7,000,000	6/1/2042	3.00	7,000,000	5,663,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,473	10,107,473
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,184,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.27	24,200,000	20,404,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	6,455,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,250,000
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	3,293,880
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	4,342,000
2015 A	1/30/2015	10,080,000	6/1/2035	0.75	9,200,706	6,650,300
2015 B	1/30/2015	370,000	6/1/2034	1.75	370,000	252,000
2015 C	1/30/2015	1,744,000	6/1/2035	0.75	1,744,000	1,271,000
2015 E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	25,930,000
2016 A	2/5/2016	8,000,000	6/1/2035	1.75	7,995,000	5,837,000
2016 E	12/16/2016	660,000	6/1/2036	1.75	634,179	472,179
2016 F	12/16/2016	40,000,000	6/1/2048	2.75	39,899,000	37,300,000
2017 A	12/15/2017	38,000,000	6/1/2049	2.75	37,843,000	36,400,000
2017 B	12/15/2017	1,600,000	12/15/2023	-	701,474	701,474
2018 A	5/18/2018	4,200,000	6/1/2040	2.75	4,200,000	4,027,000
2018 D1	12/7/2018	11,000,000	6/1/2039	0.78	11,000,000	10,425,000
2018 D2	12/7/2018	8,281,000	6/1/2039	2.75	8,281,000	7,949,000
2018 E	12/7/2018	11,300,000	6/1/2040	1.75	9,080,730	8,615,730
2018 F	12/7/2018	6,000,000	6/1/2039	1.75	3,702,061	3,203,061
2019 A	12/20/2019	12,000,000	6/1/2039	1.75	10,483,740	9,432,740
2020 A	9/11/2020	800,000	9/11/2023	-	165,112	165,112
2020 B	12/18/2020	11,200,000	6/1/2042	1.75	5,020,092	5,020,092
2021 A	4/6/2021	37,380,000	6/1/2034	1.5 to 5	N/A	37,380,000
					Balance due	410,008,902
					Amount due within one year	16,668,000
					Long-term revenue bonds payable	\$ 393,340,902

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
2022	\$ 3,400,000	\$ 2,360,572	\$ 13,268,000	\$ 8,953,818
2023	3,775,000	1,989,288	14,584,586	8,714,367
2024	3,920,000	1,840,138	14,476,000	8,420,653
2025	4,095,000	1,673,538	14,869,000	8,071,073
2026	4,255,000	1,499,188	15,262,000	7,706,541
2027-2031	23,850,000	4,728,239	83,132,000	32,689,002
2032-2036	20,015,000	1,404,763	83,124,333	21,663,156
2037-2041	-	-	69,609,649	10,840,269
2042-2046	-	-	29,216,334	3,191,817
2047-2051	-	-	9,157,000	467,885
	<u>\$ 63,310,000</u>	<u>\$ 15,495,726</u>	<u>\$ 346,698,902</u>	<u>\$ 110,718,581</u>

Note 6. Commitments and Contingencies

Construction contracts: WRA has signed construction contracts with remaining commitments of approximately \$29,093,092 as of June 30, 2021. 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.

COVID-19: 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 COVID-19 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 it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the WRA operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the WRA. The extent to which COVID-19 may affect the 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.

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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 City 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, 2021 and 2020 were required to contribute 6.29% of their annual covered salary and Des Moines was required to contribute 9.44% of annual payroll for the years ended June 30, 2021 and 2020. 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 City 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, 2021, 2020 and 2019 were approximately \$709,600, \$700,000 and \$704,900, respectively, equal to the required contributions for each year.

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Notes to Basic Financial Statements

Note 10. New Pronouncements

As of June 30, 2021, 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. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible assets – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implantation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. This statement will be effective for the Agency with its year ending June 30, 2023.
- 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 determined the impact of GASB Statement No. 87 may have a material effect on the WRA's financial statements, the impact of Statements Nos. 96 and 97 are still being evaluated.

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Note 11. Subsequent Events

On August 17, 2021 the WRA's Board authorized a maturity date change to SRF Series 2017B to December 15, 2023.

On October 19, 2021, the WRA's Board authorized a rate reset on sewer revenue bonds, SRF Series 2011A, 2011B and 2011C resulting in a retroactive interest rate reduced from 3% to 1.75% starting June 1, 2021 and will remain reduced for the next 10 years.