

August 9, 2010

Date

Receipt of the Des Moines Water Works 2009 Audit Report and Management Letter.

Moved by _____ to receive and file.

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
TOTAL				

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED

APPROVED

Mayor

City Clerk

DES MOINES WATER WORKS
Board of Water Works Trustees

2201 George Flagg Parkway | Des Moines, Iowa 50321-1190 | (515) 283-8700 | www.dmww.com

July 27, 2010

Ms. Diane Rauh, City Clerk
City of Des Moines
400 Robert D. Ray Drive
Des Moines, IA 50309

SUBJECT: Des Moines Water Works - 2009 Audit Reports

Dear Diane:

Audited financial statements and accompanying reports for Des Moines Water Works for the 2009 calendar year are enclosed. These reports were prepared by McGladrey & Pullen. The enclosed information was presented and received by the Board of Water Works Trustees at their meeting held June 29, 2010.

Robert Riley, DMWW Board Chair, has asked that you please distribute a copy to the Mayor and to each City Council member.

Sincerely,



Michelle Holland, CPA
Controller

Enclosures

Des Moines Water Works

Report to the Board of Water Works Trustees

June 9, 2010

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

McGladrey & Pullen

Certified Public Accountants

June 9, 2010

Board of Water Works Trustees
Des Moines Water Works
2201 George Flagg Parkway
Des Moines, Iowa 50321

We are pleased to present this report related to our audit of the basic financial statements and compliance of Des Moines Water Works for the years ended December 31, 2009 and 2008. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Des Moines Water Works' financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Water Works Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Des Moines Water Works.

McGladrey & Pullen, LLP

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Required Communications

Auditing guidance requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
<p>Auditor’s Responsibility Under Professional Standards</p>	<p>Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated January 4, 2010.</p>
<p>Accounting Practices</p>	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Des Moines Water Works. In the current year, Des Moines Water Works adopted the following Governmental Accounting Standards Board (GASB) Statement.</p> <ul style="list-style-type: none"> • GASB Statement No. 52, <i>Land and Other Real Estate Held as Investments by Endowments</i>. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. This Statement has no effect on the Des Moines Water Works financial statements. <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p>

Area	Comments
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".
Audit Adjustments	Audit adjustments recorded by Des Moines Water Works are attached with the representation letter included with Exhibit A.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Accounting Pronouncements	Please refer to Note 9 of the financial statements for new accounting pronouncements that have been recently issued that may affect the entity financial reporting in future periods.
Letter Communicating Significant Deficiencies and Material Weaknesses	We identified no significant deficiencies or material weaknesses during our audit of the financial statements. We have issued a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> . This report is in Exhibit A.
Certain Written Communications Between Management and Our Firm	<p>Copies of certain written communications between our firm and the management of Des Moines Water Works are attached as Exhibit A.</p> <p>We have also separately issued reports on statements of cash receipts and disbursements of Board of Water Works Trustees, Billing and Collecting Agent for the Sewer Service, Solid Waste Collection and Storm Water Management Charges for the City of Des Moines, Iowa.</p>

Des Moines Water Works

Summary of Accounting Estimates Year Ended December 31, 2009

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the entity's December 31, 2009 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Pension Plan and Other Postemployment Benefit Plan Assumptions	Pension plan and other postemployment benefit plan accounting and disclosures are based upon numerous assumptions and estimates, including the expected rate of investment return on retirement plan assets, the interest rate used to determine the present value of liabilities and certain employee-related factors.	The employee-related factors include turnover, participation, retirement age and mortality. These factors and the estimated discount rate and rate of return are based upon historical and general market data. The Water Works used actuary to compute the balances and disclosures.	We tested the information provided to the actuary. We believe the process used by management is reasonable.
Depreciable Life and Salvage Value of Capital Assets	The depreciable life of capital assets is set at the estimated useful life of the related asset. Salvage value is based upon an estimate of what the value of the property will be when the Water Works is through using the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including resale value of used equipment, estimated useful life and prior experience.	We believe the estimates and process used by management is reasonable.
Fair Value of Financial Instruments	The Water Works records the estimated fair value of its investments.	Investment securities are based on quoted market prices.	We tested the propriety of information underlying management's estimates. Based on our procedures, we conclude that management's approach is reasonable.
Unbilled Revenue	The Water Works records a receivable for the estimated amount of revenue related to unbilled water at the end of the year.	The estimated receivable is based on past history and cycles billed after the end of the year.	We tested the information used to calculate the estimated receivable and concluded that management's approach is reasonable.

**Exhibit A – Certain Written Communications Between
Management and Our Firm**

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Water Works Trustees
Des Moines Water Works
Des Moines, Iowa

We have audited the financial statements of Des Moines Water Works as of and for the year ended December 31, 2009, and have issued our report thereon dated June 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The pension trust fund statement of net assets and statement of changes in net assets were not audited in accordance with *Government Auditing Standards*; therefore, this report does not extend to the pension trust fund.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Moines Water Works' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Des Moines Water Works' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Des Moines Water Works' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
June 9, 2010

McGladrey & Pullen

Certified Public Accountants

McGladrey & Pullen, LLP

201 N. Harrison St., Ste. 300, Davenport, IA 52801-1999

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www.mcgladrey.com

January 4, 2010

Board of Trustees
Des Moines Water Works
2201 George Flagg Parkway
Des Moines, Iowa 50321-1190

Attention: Peggy Freese, Director of Finance

This letter is to explain our understanding of the arrangements for the services we are to perform for Des Moines Water Works for the year ended December 31, 2009. We ask that you either confirm or amend this understanding.

Audit Services

We will perform an audit of Des Moines Water Works' basic financial statements as of and for the year ended December 31, 2009. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Trustees and Finance and Audit Committee are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

You have informed us that you have not expended more than \$500,000 in federal awards for the fiscal year ended December 31, 2009, the effect of which would require an audit performed in accordance with the Single Audit Act, OMB Circular No. A-133 and OMB's *Compliance Supplement*.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Board of Trustees and Finance and Audit Committee any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the Board of Trustees and Finance and Audit Committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any fraud, illegal acts, violations of provisions of contracts or grant agreements and abuse that come to our attention (unless they are clearly inconsequential), (c) any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements.

In addition to our reports on the Des Moines Water Works' financial statements, we will also issue the following reports or types of reports:

- Reports on internal control related to the financial statements. These report(s) will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.
- Report on compliance with bond covenants.
- Report to the Board of Water Works Trustees, Billing and Collection Agent for the Storm Water management charges for the City of Des Moines, Iowa, statements of cash receipts and disbursements.
- Report to the Board of Water Works Trustees, Agent for Sewer Service Charges for the Storm Water management charges for the City of Des Moines, Iowa, statements of cash receipts and disbursements.
- Report to the Board of Water Works Trustees, Agent for the Storm Water management charges for the City of Des Moines, Iowa, statements of cash receipts and disbursements.

We will also perform an audit of the Des Moines Water Works Pension Plan.

You have informed us there are no component units that are required to be included as part of the Des Moines Water Works' basic financial statements.

Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement of loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

Des Moines Water Works' Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

The Board of Trustees and Finance and Audit Committee are responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

Des Moines Water Works agrees that our report on the financial statements will not be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if Des Moines Water Works intends to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or a master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance systems as a result of the above will be established with you at the time such services are determined to be necessary. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, Des Moines Water Works agrees it will compensate McGladrey & Pullen, LLP for any additional costs incurred as a result of the employment of a partner or professional employee of McGladrey & Pullen, LLP.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Des Moines Water Works' books and records. The Water Works will determine that all such data, if necessary, will be so reflected. Accordingly, the Water Works will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Terms of our Engagement

Des Moines Water Works hereby indemnifies McGladrey & Pullen, LLP and its partners and employees and holds them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a known misrepresentation by a member of Des Moines Water Works' management, regardless of whether such person was acting in Des Moines Water Works' interest. This indemnification will survive termination of this letter.

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in the letter will not exceed \$43,550 for the financial statement audit, excluding the Pension Audit, unless the scope of the engagement is changed, the assistance which the Water Works has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

In the event we are requested or authorized by Des Moines Water Works or are required by Des Moines Water Works or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Des Moines Water Works, Des Moines Water Works will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The working papers for this engagement are the property of McGladrey & Pullen, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested workpapers will be provided under the supervision of McGladrey & Pullen audit personnel and at a location designated by our Firm.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

If circumstances arise relating to the conditions of your records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, the Des Moines Water Works agrees to the following:

- Michelle Holland, Controller, will be accountable and responsible for overseeing the draft of financial statements and trial balance adjustments.
- Des Moines Water Works will establish and monitor the performance of the the draft of financial statements and trial balance adjustments to ensure that they meet management's objectives.
- Des Moines Water Works will make any decisions that involve management functions related to the draft of financial statements and trial balance adjustments and accepts full responsibility for such decisions.
- Des Moines Water Works will evaluate the adequacy of services performed and any findings that result.

In connection with compliance with the Health Insurance Portability and Accountability Act (HIPAA):

- a. McGladrey & Pullen, LLP agrees not to use or disclose Protected Health Information (as defined in 45 CFR 160.1 03) other than as permitted or required by this arrangement letter (the "Agreement"), as required by operation of law, or as required by auditing standards or accounting principles.
- b. McGladrey & Pullen, LLP agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement. The Firm agrees to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic Protected Health Information that it creates, receives, maintains or transmits.

- c. McGladrey & Pullen, LLP agrees to report to Des Moines Water Works any use or disclosure of the Protected Health Information not provided for by this Agreement and/or any Security Incident (as defined in 45 CFR 164.304) of which it becomes aware.
- d. McGladrey & Pullen, LLP agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information, received from, or created or received by McGladrey & Pullen, LLP on behalf of Des Moines Water Works agrees to the same restrictions and conditions that apply through this Agreement to McGladrey & Pullen, LLP with respect to such information. Moreover, the Firm agrees to ensure that any such agent or subcontractor to whom it provides electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect it.
- e. Des Moines Water Works shall not request McGladrey & Pullen, LLP to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Des Moines Water Works.
- f. McGladrey & Pullen, LLP may use and disclose Protected Health Information (a) for the proper management and administration of its business under this contract, (b) to provide Data Aggregation Services relating to the Health Care Operations of Des Moines Water Works, and (c) to report violations of law to appropriate federal and state authorities, all as provided in the Privacy Rule.
- g. McGladrey & Pullen, LLP agrees to document such disclosures of Protected Health Information made by McGladrey & Pullen, LLP and information related to such disclosures as would be required for Des Moines Water Works to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with the Privacy Rule. McGladrey & Pullen, LLP further agrees to provide Des Moines Water Works or an individual, upon request, with such information to permit Des Moines Water Works to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Sec. 164.528.
- h. At no time will McGladrey & Pullen, LLP have possession and/or control of Des Moines Water Works' patients' 'Designated Record Sets' or any copies thereof. The Protected Health Information created or maintained by McGladrey & Pullen, LLP is not part of the patient's Designated Record Set and is, therefore, not subject to the Privacy Rule's patient access or amendment rights. Consequently, 45 CFR Part 164.524 and 164.526 [and, therefore, 45 CFR Part 164.504(e)(2)(ii) subparts (E) and (F)] are not applicable to McGladrey & Pullen, LLP.
- i. McGladrey & Pullen, LLP agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosures of Protected Health Information received from Des Moines Water Works available to Des Moines Water Works or the Secretary of the U.S. Department of Health and Human Services or his/her designee promptly for purposes of determining the Des Moines Water Works' compliance with the Privacy Regulations.
- j. Term and Termination
 - i. The Term of this Agreement regarding Protected Health Information shall be effective as of January 4, 2010, and shall terminate when all of the Protected Health Information provided by Des Moines Water Works to McGladrey & Pullen, LLP or received by McGladrey & Pullen, LLP on behalf of Des Moines Water Works, is destroyed. If it is infeasible to destroy Protected Health Information, protections of this contract are extended to such information, in accordance with the termination provisions in this Section.
 - ii. Termination for Cause. Upon Des Moines Water Works' knowledge of a material breach by McGladrey & Pullen, LLP, Des Moines Water Works shall either:

1. Provide an opportunity for McGladrey & Pullen, LLP to cure the breach or end the violation and terminate this agreement if McGladrey & Pullen, LLP does not cure the breach or end the violation within the time specified by Des Moines Water Works,
2. Immediately terminate this Agreement, if McGladrey & Pullen, LLP has breached a material term of this Agreement and cure is not possible; or
3. If neither termination nor cure are feasible, Des Moines Water Works shall report the violation to the Secretary of the Department of Health & Human Services.

iii. Effect of Termination.

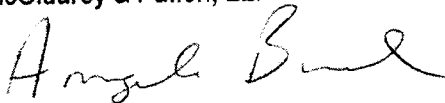
1. Except as provided in paragraph (ii) of this section, upon termination of this Agreement, for any reason, McGladrey & Pullen, LLP shall destroy all Protected Health Information received from Des Moines Water Works, or received by McGladrey & Pullen, LLP on behalf of Des Moines Water Works in accordance with their audit record retention policy. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of McGladrey & Pullen, LLP. McGladrey & Pullen, LLP shall retain no copies of the Protected Health Information beyond their normal retention period as required for their compliance with applicable professional standards.
2. In the event that McGladrey & Pullen, LLP determines that destroying the Protected Health Information is infeasible, we shall provide to Des Moines Water Works notification of the conditions that make return or destruction infeasible. Upon any notice that destruction of Protected Health Information is infeasible, McGladrey & Pullen, LLP shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make destruction infeasible, for so long as McGladrey & Pullen, LLP maintains such Protected Health Information.

This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen and Des Moines Water Works, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report and applicable letter of comment is enclosed for your information.

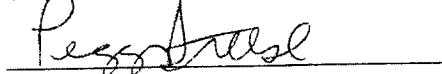
If this letter defines the arrangements as you understand them, please sign and date the enclosed copy, and return it to us. We appreciate your business.

McGladrey & Pullen, LLP



Angela Burch, Director

Confirmed on Des Moines Water Works:



Jan. 26, 2010



To the Partners of McGladrey & Pullen, LLP
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of McGladrey & Pullen, LLP (the Firm) applicable to non-SEC issuers in effect for the year ended April 30, 2007. The Firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us, since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the Firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the Firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the Firm. Our responsibility is to express an opinion on the design of the system, and the Firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of McGladrey & Pullen, LLP in effect for the year ended April 30, 2007, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the Firm with reasonable assurance of complying with applicable professional standards.

* * *

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters described in the letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

BKD, LLP

November 30, 2007

