★ **Roll Call Number**

....

Agenda Item Number

60

Date September 14, 2009

Receipt of Des Moines Water Works 2008 Financial Report.

Moved by ____________________________ to receive and file

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
KIERNAN				
HENSLEY				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				

MOTION CARRIED APPROVED

______________________________ Mayor

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.

______________________________ City Clerk

60

DES MOINES WATER WORKS
Board of Water Works Trustees

Des Moines Water Works
Water You Can Trust for Life

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

September 3, 2009

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

SUBJECT: Des Moines Water Works - 2008 Audit Reports

Dear Diane:

Audited financial statements and accompanying reports for Des Moines Water Works for the 2008 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 23, 2009.

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

Michelle Holland, CPA
Controller

Enclosures

60

Des Moines Water Works

Financial Report
12.31.2008

Contents

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Des Moines Water Works (Water Works) as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Des Moines Water Works' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Des Moines Water Works as of December 31, 2008 and 2007 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 6 to the basic financial statements, the City changed its method of accounting for other postemployment benefits.

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended December 31, 2008 and 2007 dated June 12, 2009 and July 15, 2008, respectively, on our consideration of Water Work's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 9, other postemployment benefit plan schedule on page 35 and pension plan schedule on pages 36 through 38 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Davenport, Iowa
June 12, 2009

Des Moines Water Works

Management's Discussion and Analysis
Year Ended December 31, 2008

Our Management's Discussion and Analysis (MD&A) of Des Moines Water Works' (Water Works) financial performance provides an overview of the utility's financial activities for the years ended December 31, 2008 and 2007. Please consider this information in conjunction with the financial statements and the accompanying notes to basic financial statements that follow this section.

Overview of Business

The service area of the Water Works has expanded significantly since its emergence as a public water utility in 1919. In addition to serving customers within the City of Des Moines, Water Works provides wholesale water service based on long-term water contracts to surrounding municipalities and rural water districts, accounting for roughly 25 percent of total water revenues. This service area spans approximately 400 square miles, including most of Polk County and communities in eastern Dallas County and northern Warren County. The utility also provides billing and collection services on a contractual basis to wholesale customers and billing and collection services to the City of Des Moines for wastewater treatment, solid waste collection and the storm water utility.

As the utility's service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved utilizing these facilities to supply multiple customers. Contractual service users share in the cost of these joint-use facilities, which allows for meeting peak use demands and also allows some users to participate in lower off-peak or purchased capacity water rates. Financial participation in the construction of these facilities includes initial cash contributions or payments of debt service for the improvements and annual payment of operating and maintenance costs. Ownership of these facilities is maintained by the Water Works.

The water sources for the system are the Raccoon River, the Des Moines River, an underground infiltration gallery and wells along the Raccoon River near Maffitt Reservoir. These four sources are used to provide adequate supply in the most cost-effective combination. The utility operates two treatment plants, with one of those plants being operated remotely. An additional treatment plant is currently being developed in the northern segment of the utility's service area to meet growing demand in that area.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of the City of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of Water Works' management and employs approximately 212 full-time and 15 part-time or seasonal employees.

The utility has adopted an annual activity-based budgeting methodology and performs an annual cost of service study to assist the Board in rate-setting policy.

Financial Highlights

- Water Works' net assets increased as a result of operations. As of December 31, 2008 and 2007, total assets were $290,270,404 and $290,106,949, respectively; total liabilities were $98,847,959 and $103,437,185, respectively, resulting in net assets of $191,422,445 and $186,669,764, respectively.
- In 2008, operating revenues of $38,468,025 decreased less than one percent over 2007, while operating expenses in 2008 increased 3.06 percent to $34,946,376. Operating revenues of $38,591,144 in 2007 decreased 2.69 percent over 2006, while operating expenses decreased approximately 1.97 percent to $33,908,739.

- During the year, Water Works had operating income of $3,521,649 and change in net assets of $4,752,681. This compares to operating income of $4,682,405 and change in net assets of $5,774,655 reported in 2007.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of the Water Work's financial condition and performance. The financial statements report information about the utility using full accrual accounting methods as utilized by similar entities in the private sector.

The balance sheet provides information about the Water Works' assets, liabilities and net assets, thereby measuring the Water Works' liquidity and solvency. Liquidity is a measure of the utility's ability to meet current obligations (those due within one year). Solvency is a similar concept, but measures the ongoing ability to meet obligations over a longer term.

The statement of revenues, expenses and changes in net assets presents the results of the Water Works' revenues and expenses over the course of the fiscal year and provides information about the utility's recovery of costs. Water rates are established by the Board of Trustees and are based on the utility's annual Cost of Service Study. The Cost of Service Study estimates annual revenue requirements through an analysis of operational and maintenance expenses, debt service requirements, anticipated capital needs and return on capital. The Study provides a core of information not only for the trustees and staff at Des Moines Water Works, but also for the customers ultimately affected by our decisions.

The statement of cash flows presents cash receipts, cash disbursements and net changes in cash resulting from operations, noncapital financing activities, capital and related financing and investing activities. This statement details where cash resources come from and how they are used.

The notes to basic financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the basic financial statements by presenting information about the Water Works' accounting policies, significant account balances and activities, material risks, obligations, commitments and contingencies.

Condensed Financial Information

The following condensed financial information serves as key financial data and indicators for management, monitoring and planning.

Condensed Balance Sheet Information

	2008	2007	2006	% Change 2007 to 2008	% Change 2006 to 2007
Current assets	$ 24,660,081	$ 26,902,959	$ 38,185,510	(8.34)%	(29.55)%
Capital assets, net	241,322,908	233,569,476	216,030,583	3.32	8.12
Other noncurrent assets	24,287,415	29,634,514	35,985,739	(18.04)	(17.65)
Total assets	290,270,404	290,106,949	290,201,832	0.06	(0.03)
Current liabilities	15,769,454	16,187,541	16,679,862	(2.58)	(2.95)
Other noncurrent liabilities	16,488,505	16,747,644	18,346,861	(1.55)	(8.72)
Long-term debt	66,590,000	70,502,000	74,280,000	(5.55)	(5.09)
Total liabilities	98,847,959	103,437,185	109,306,723	(4.44)	(5.37)
Invested in capital assets, net of related debt	179,918,504	178,663,763	180,243,279	0.70	(0.88)
Restricted	25,988,574	24,849,822	17,136,157	4.58	45.01
Unrestricted	(14,484,633)	(16,843,821)	(16,484,327)	(14.01)	2.18
Total net assets	$ 191,422,445	$ 186,669,764	$ 180,895,109	2.55	3.19

Condensed Revenues, Expenses and Changes in Net Assets

	2008	2007	2006	% Change 2007 to 2008	% Change 2006 to 2007
Water sales	$ 32,870,245	$ 32,649,976	$ 33,964,194	0.67%	(3.87)%
Billing and collection services	923,930	991,648	892,455	(6.83)	11.11
Connection fees	478,954	725,359	591,950	(33.97)	22.54
Purchased capacity	1,335,264	1,330,631	1,321,967	0.35	0.66
Other sales and services	2,859,632	2,893,530	2,888,514	(1.17)	0.17
Total operating revenues	38,468,025	38,591,144	39,659,080	(0.32)	(2.69)
Investment income	1,564,931	2,943,034	3,001,447	(46.83)	(1.95)
Intergovernmental income	253,701	-	-	100.00	-
Other	175,862	179,154	166,722	(1.84)	7.46
Capital contributions	1,072,350	630,155	6,904,658	70.17	(90.87)
Total revenues	41,534,869	42,343,487	49,731,907	(1.91)	(14.86)
Labor and benefits	14,999,615	13,523,064	13,146,601	10.92	2.86
Chemicals and power	5,791,656	5,356,622	5,100,647	8.12	5.02
Corporate Insurance	864,285	965,607	940,458	(10.49)	2.67
Purchased services	3,661,378	3,346,776	3,179,056	9.40	5.28
Materials, supplies and equipment	3,021,496	3,155,726	3,127,030	(4.25)	0.92
Depreciation	6,271,439	7,242,073	8,891,789	(13.40)	(18.55)
Other	336,507	318,871	206,287	5.53	54.58
Total operating expenses	34,946,376	33,908,739	34,591,868	3.06	(1.97)
Interest expense	1,835,812	2,660,093	2,903,806	(30.99)	(8.39)
Total expenses	36,782,188	36,568,832	37,495,674	0.58	(2.47)
Change in net assets	4,752,681	5,774,655	12,236,233	(17.70)	(52.81)
Net assets, beginning of year	186,669,764	180,895,109	168,658,876	3.19	7.26
Net assets, end of year	$ 191,422,445	$ 186,669,764	$ 180,895,109	2.55	3.19

Financial Analysis

Year ended December 31, 2008: Current assets decreased 8.34 percent. Other noncurrent assets decreased approximately 18.04 percent. Both of these are a result of spending bond proceeds on the development of the additional treatment plant. Offsetting these decreases is an increase of capital assets by 3.32 percent. Overall, total assets as of December 31, 2008 are approximately $163,000 more than December 31, 2007.

Current liabilities decreased 2.58 percent. Accounts payable decreased $866,050 and fees collected for other entities also decreased by $293,756. Both of these can be attributed to year-end timing. Offsetting this is the current portion of long-term debt that increased $134,000 and the compensated absences (leave accruals) that increased $208,071.

Noncurrent liabilities include deferred revenue being amortized over a period of 10 to 20 years. Noncurrent liabilities also include the pension liability which will be paid through future pension contributions and the liability for other postretirement benefits which is a GASB standard implemented in 2008. This shows the actuarial liability for providing health care benefits to retirees of Des Moines Water Works.

Long-term debt decreased 5.55 percent in 2008 due to the $3,912,000 reclassification of the scheduled 2009 debt service payments to short-term liabilities.

Water sales increased less than 1 percent. A rate increase effective May 1st for most service areas was offset by lower pumpage due to a very wet summer. Debt service reimbursement decreased $0.5 million.

Connection fees decreased 33.97 percent. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenues increased less than 1 percent. This represents the continued amortization of deferred revenue. This deferred revenue represents cash contributions to fund the new water treatment plant under construction and previous years' cash contributions from wholesale customers to fund the L.D. McMullen Water Treatment Facility. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Deferred revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

Effective January 5, 2004, per 28E agreement with the City of Des Moines, Des Moines Water Works assumed management of operations of the Des Moines Botanical Center. Operations include room rentals, catering and café, gift shop and special events. Botanical Center revenues of $688,367 and $748,813 for 2008 and 2007, respectively, are included in Water Works' financial results.

Labor and benefits increased 10.92 percent which is primarily due the recognition of a liability and the resulting expense related to other postemployment benefits of $1,324,347. This is a new GASB standard which was implemented in 2008. Additionally, wage rate increases were offset by a slight headcount reduction.

Chemicals and power increased 8.12 percent due to an increase in chemical costs.

Corporate insurance decreased by 10.49 percent due to lower premiums.

Purchased services increased 9.40 percent compared to 2007 due to increased services performed for stop box repairs. There is an offsetting revenue increase. Additionally, services performed for damages due to summer flooding were approximately $200,000. Most of this expense is reimbursable by FEMA and the offsetting revenue is shown in the nonoperating revenue section.

Depreciation expense decreased 13.40 percent due to the utility's customer relationship management system (CRM) becoming fully depreciated in 2007.

Other expenses increased 5.53 percent or approximately $18,000.

Investment income decreased 46.83 percent due to lower investment balances due to spending on the new treatment plant and the eastside project consisting of a tower, booster station and feeder main. Additionally, interest rates were lower in 2008.

Interest expense decreased 30.99 percent in 2008 primarily due to the capitalization of interest expense for the new treatment plant and the eastside project.

Capital contributions increased 70.17 percent due to funds received in 2008 from Ankeny for construction of water mains and connection. Ankeny agreed to share in the cost of these assets. In 2008, funds received included $772,350 from Ankeny and $300,000 from Pleasant Hill for capital infrastructure. There were no contributions of water mains from subdividers. These contributions can fluctuate widely from year to year, depending on the status of construction and the timing of inspections performed by Water Works' staff.

The aforementioned fluctuations result in an overall increase in net assets of 2.55 percent, the result of a 0.32 percent decrease in operating revenues, an increase in operating expenses of 3.06 percent and an 18.27 percent decrease in nonoperating revenues.

Year ended December 31, 2007: Current assets decreased 29.55 percent. Other noncurrent assets decreased approximately 17.65 percent. Both of these are a result of spending bond proceeds on the development of the additional treatment plant. Offsetting these decreases is an increase of capital assets by 8.12 percent. Overall, total assets as of December 31, 2007 are approximately $100,000 less than December 31, 2006.

Current liabilities decreased 2.95 percent. The current portion of long-term debt decreased $992,000 while construction payables increased $938,198 due to work performed on the new treatment plant. Finally, fees collected for other entities increased $214,114 and accounts payable decreased $532,613.

Noncurrent liabilities include deferred revenue being amortized over a period of 10 to 20 years. Noncurrent liabilities include the pension liability which will be paid through future pension contributions.

Long-term debt decreased 5.09 percent in 2007 due to the $3,778,000 reclassification of the scheduled 2008 debt service payments to short-term liabilities.

Water sales decreased 3.87 percent. Debt service reimbursement decreased $1.3 million due to the retirement of the Water Revenue Bonds, Series 2001. The participants of this bond issue were reimbursed their portion of the bond reserve which equated to approximately $800,000. In addition, one of the participants of this bond issue had their portion paid off in 2006, thus reducing the amount of income when comparing 2007 to 2006.

Connection fees increased 22.54 percent. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenues increased less than 1 percent. This represents the continued amortization of deferred revenue. This deferred revenue represents cash contributions to fund the new water treatment plant under construction and previous years' cash contributions from wholesale customers to fund the L.D. McMullen Water Treatment Facility. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Deferred revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

Effective January 5, 2004, per 28E agreement with the City of Des Moines, Des Moines Water Works assumed management of operations of the Des Moines Botanical Center. Operations include room rentals, catering and café, gift shop and special events. Botanical Center revenues of $748,813 and $684,642 for 2007 and 2006, respectively, are included in Water Works' financial results.

Labor and benefits increased 2.86 percent which is primarily due to wage rate increases.

Chemicals and power increased 5.02 percent due to an increase in chemical costs.

Purchased services increased 5.28 percent compared to 2006 due to increased credit card fees of $48,000 as usage of credit cards for payments is increasing. Additionally, higher expenses were incurred for Information Technology (I.T.) application support, maintenance contracts and service line installations in the Southeast Polk service area.

Depreciation expense decreased 18.55 percent due to the utility's customer relationship management system (CRM) becoming fully depreciated.

Other expenses increased 54.58 percent due to an increase in casualty losses of $96,631 over 2006. Loss on bad debt increased $38,668 from 2006.

Investment income decreased 1.95 percent due to slightly lower investment returns. Interest expense decreased 8.39 percent in 2007 primarily due to the capitalization of interest expense for the new treatment plant.

Capital contributions decreased 90.87 percent due to funds received in 2006 from Polk County for the purchase of the Southeast Polk Rural Water District. In 2007, funds received included $300,000 from Pleasant Hill for capital infrastructure and $175,000 from East Dallas Water for converting and connecting into our system. All other capital contributions received for 2007 are related to contributions of water mains by subdividers. These contributions can fluctuate widely from year to year, depending on the status of construction and the timing of inspections performed by Water Works' staff.

The aforementioned fluctuations result in an overall increase in net assets of 3.19 percent, the result of a 2.69 percent decrease in operating revenues, a decrease in operating expenses of 1.97 percent and a 62.75 percent decrease in nonoperating revenues.

Capital Assets and Debt Administration

During 2008, net capital assets increased $7,753,432 or 3.32 percent. In addition to replacing deteriorating water mains, the utility is building a water treatment plant in the northern part of the service area and an elevated tower, booster station and feeder mains on the eastside of the service area. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

Water Works' long-term debt was $70,502,000 and $74,280,000 as of December 31, 2008 and 2007, respectively. The decrease is due to scheduled principal payments.

During 2007, net capital assets increased $17,538,893 or 8.12 percent. In addition to replacing deteriorating water mains, the utility is building a water treatment plant in the northern part of the service area. The utility is also engaged in a multi-year capital project to implement radio frequency meter reading for all customers within the City of Des Moines. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

Water Works' long-term debt was $74,280,000 and $79,050,000 as of December 31, 2007 and 2006, respectively. The decrease is due to scheduled principal payments

Economic Factors

Due to the Water Works' large concentration of residential customers, weather impacts revenue to a greater degree than do economic cycles. Water Works budgets revenues and expenses based on anticipated consumption for a "normal" weather year. A water rate increase was budgeted for 2009. The increase was budgeted at primarily 15 percent for most of the large rate classes. This was based on the results of the annual cost of service study which indicated costs to serve those customers exceeded their water rates.

Requests for Information

If the reader has questions or would like additional information, please direct the request to: Peggy Freese, Treasurer, 2201 George Flagg Parkway, Des Moines, Iowa 50321-1190.

Des Moines Water Works

Balance Sheets
December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash (Note 2)	$ 2,222,319	$ 256,926
Restricted assets (Note 2):		
Cash	5,617,822	7,628,614
Investments, water revenue bond reserve fund	9,792,072	12,066,172
Accounts receivable:		
Billed	3,071,519	3,183,413
Unbilled	1,134,231	1,079,204
Other receivables	563,829	581,902
Inventory, materials and supplies	1,490,571	1,313,572
Prepaid expenses	767,718	793,156
Total current assets	24,660,081	26,902,959
Restricted assets, investments (Notes 2 and 4):		
Water revenue bond reserve fund	18,803,427	23,629,783
Water revenue bond improvement fund	600,000	600,000
	19,403,427	24,229,783
Long-term investments:		
Investment in land	624,562	624,562
Board designated funds, investments (Note 2)	3,487,624	4,029,564
	4,112,186	4,654,126
Capital assets (Note 3):		
Land	4,911,351	4,911,351
Construction-in-progress	36,617,178	33,207,076
Buildings, equipment and machinery	120,073,217	118,478,059
Supply system	43,078,877	39,643,628
Distribution system	148,661,138	143,157,973
	353,341,761	339,398,087
Accumulated depreciation	(112,018,853)	(105,828,611)
Capital assets, net	241,322,908	233,569,476
Bond issue costs and discounts:		
Bond issue costs	218,527	246,041
Bond issue discounts	272,849	299,540
Bond issue costs and discounts	491,376	545,581
Other assets	280,426	205,024
Total assets	$ 290,270,404	$ 290,106,949

See Notes to Basic Financial Statements.

	2008	2007
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 1,402,364	$ 2,268,414
Accrued wages and benefits	427,631	305,857
Compensated absences (Note 4)	1,534,324	1,326,253
Deferred revenue (Note 1)	1,311,808	1,333,951
Special deposits	208,843	69,510
Construction payables	6,462,651	6,290,830
Water revenue bonds interest payable	248,225	259,362
Current portion of long-term debt (Note 4)	3,912,000	3,778,000
Fees collected for other entities	261,608	555,364
Total current liabilities	15,769,454	16,187,541
Noncurrent liabilities:		
Long-term debt, less current installments (Note 4)	66,590,000	70,502,000
Compensated absences (Note 4)	614,547	635,072
Deferred revenue (Note 1)	14,432,048	15,724,168
Pension liability (Note 5)	117,563	388,404
Other postemployment benefits liability (Note 6)	1,324,347	-
Total noncurrent liabilities	83,078,505	87,249,644
Total liabilities	98,847,959	103,437,185
Net assets:		
Invested in capital assets, net of related debt	179,918,504	178,663,763
Restricted (bond indentures)	25,988,574	24,849,822
Unrestricted	(14,484,633)	(16,843,821)
Total net assets	191,422,445	186,669,764
Total liabilities and net assets	$ 290,270,404	$ 290,106,949

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2008 and 2007

	2008	2007
Operating revenues:		
Water sales	$ 34,205,509	$ 33,980,607
Other sales and services	3,783,562	3,885,178
Connection fees	478,954	725,359
Total operating revenues	38,468,025	38,591,144
Operating expenses:		
Labor	10,556,380	10,407,304
Group insurance	1,597,243	1,472,393
Retirement benefits (including social security)	2,845,992	1,643,367
Purchased services	3,661,378	3,346,776
Corporate Insurance	864,285	965,607
Materials, supplies and equipment	3,021,496	3,155,726
Chemicals	3,405,635	2,966,033
Utilities, net	2,386,021	2,390,589
Depreciation	6,271,439	7,242,073
Other	336,507	318,871
Total operating expenses	34,946,376	33,908,739
Operating income	3,521,649	4,682,405
Nonoperating revenue (expense):		
Investment income	1,564,931	2,943,034
Interest expense	(1,835,812)	(2,660,093)
Land use income	171,434	175,188
Intergovernmental income	253,701	-
Other	4,428	3,966
Nonoperating revenue, net	158,682	462,095
Income before contributions	3,680,331	5,144,500
Capital contributions	1,072,350	630,155
Change in net assets	4,752,681	5,774,655
Net assets, beginning of year	186,669,764	180,895,109
Net assets, end of year	$ 191,422,445	$ 186,669,764

See Notes to Basic Financial Statements.

Des Moines Water Works

Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 37,153,568	$ 37,842,647
Cash paid to suppliers	(14,692,933)	(13,746,695)
Cash paid to employees and for payroll taxes	(13,636,789)	(13,861,431)
Net cash provided by operating activities	8,823,846	10,234,521
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(3,778,000)	(4,770,000)
Acquisition, construction and removal cost of capital assets	(12,742,057)	(23,233,461)
Contributions received	1,072,350	475,000
Interest paid	(2,903,737)	(3,068,779)
Net cash (used in) capital and related financing activities	(18,351,444)	(30,597,240)
Cash flows from investing activities:		
Proceeds from maturities of investments	102,761,402	151,192,792
Purchase of investments	(95,119,006)	(129,176,792)
Interest received	1,663,941	2,840,927
Land use income and other	175,862	179,154
Net cash provided by investing activities	9,482,199	25,036,081
Net increase in cash	(45,399)	4,673,362
Cash, beginning of year	7,885,540	3,212,178
Cash, end of year	$ 7,840,141	$ 7,885,540
Reconciliation of cash to the balance sheet:		
Cash	$ 2,222,319	$ 256,926
Restricted assets, cash	5,617,822	7,628,614
Total cash at end of year	$ 7,840,141	$ 7,885,540

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued)
Years Ended December 31, 2008 and 2007

		2008		2007
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	3,521,649	$	4,682,405
Adjustments to reconcile operating income to net cash, depreciation		6,271,439		7,242,073
Change in:				
Accounts receivable, billed		365,595		300,719
Accounts receivable, unbilled		(55,027)		14,251
Other receivables		(80,937)		(5,571)
Inventories - materials and supplies		(176,999)		(71,831)
Prepaid expense		25,438		1,351
Other assets		(75,402)		94,825
Accounts payable		(866,050)		(532,613)
Accrued wages and benefits and compensated absences		309,320		(169,133)
Pension liability		(270,841)		(169,234)
Other postemployment benefit liability		1,324,347		-
Deferred revenue		(1,314,263)		(1,330,633)
Special deposits		139,333		(36,202)
Fees collected for other entities		(293,756)		214,114
Net cash provided by operating activities	$	8,823,846	$	10,234,521
Schedule of noncash capital and related financing activities:				
Contributions of water mains from contractors in aid of construction	$	-	$	155,155
Acquisition of capital assets through construction payables		(171,821)		938,198
Capitalized interest		1,110,993		454,152
Schedule of noncash investing activities, net depreciation of the fair value of investments		153,072		22,540

See Notes to Basic Financial Statements.

Des Moines Water Works
Pension Plan

Statements of Plan Net Assets
December 31, 2008 and 2007

	2008	2007
Assets		
Investments, contracts with insurance companies, pooled separate accounts	**$ 29,201,656**	$ 44,010,079
Employer contributions receivable	**-**	-
	29,201,656	44,010,079
Liabilities	**-**	-
Net assets held in trust for pension benefits	**$ 29,201,656**	$ 44,010,079

See Notes to Basic Financial Statements.

Des Moines Water Works
Pension Plan

Statements of Changes in Plan Net Assets
Years Ended December 31, 2008 and 2007

	2008	2007
Additions:		
Investment income (loss):		
Net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends (Note 2)	$ (13,716,994)	$ 2,656,473
Employer contributions	800,000	825,000
Total additions	(12,916,994)	3,481,473
Deductions:		
Benefit payments	1,820,833	1,676,726
Administrative expenses	70,596	69,377
Total deductions	1,891,429	1,746,103
Net increase (decrease)	(14,808,423)	1,735,370
Net assets held in trust for pension benefits:		
Beginning of year	44,010,079	42,274,709
End of year	$ 29,201,656	$ 44,010,079

See Notes to Basic Financial Statements.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

Nature of business:

Des Moines Water Works (Water Works) is managed and controlled by the Board of Water Works Trustees of the City of Des Moines, Iowa (the Board), which exists under the provisions of Chapter 388 and other relevant statutes of the Code of Iowa. The five-member Board is appointed by the Mayor of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms.

Water Works is exempt from federal income tax pursuant to Internal Revenue Code Section 115 which provides for exemption of divisions of state and local governments.

Water Works provides water and other services to retail and wholesale customers in the City of Des Moines (the City) and surrounding communities.

In September 1993, the Governmental Accounting Standards Board (GASB) issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* The Statement provides that Water Works should apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures. In addition, Water Works may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Water Works has elected to not apply all FASB, APB and ARB materials issued after November 30, 1989.

Reporting entity:

Accounting principles generally accepted in the United States of America require the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and 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 Water Works has authority to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the Water Works is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Significant accounting policies:

Basis of accounting and measurement focus: The economic measurement focus and the accrual basis of accounting are used by the Water Works. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and all liabilities associated with the operation of the Water Works are included in the balance sheet.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Cash and investments: For the purpose of the statement of cash flows, Water Works considers cash balances maintained in demand deposit accounts at financial institutions to be cash. Excess cash invested temporarily in financial institutions is considered an investing activity and is not considered to be cash.

Investments as of December 31, 2008 were in U.S. government or agency obligations and are stated at fair value, based on quoted market prices.

Revenue recognition: Customers served by Water Works are billed on a monthly cyclical basis based on usage. Water Works accrues estimated unbilled water revenues for services rendered from the last billing date through year-end.

Operating revenues and expenses: Operating revenues include revenues resulting from the sale of water and related services. Operating expenses include expenses for water treatment, distribution, depreciation, customer service and sales, administrative and general. Nonoperating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities and investing activities. Revenues from the sale of water are based on billing rates, which are applied to customer's consumption of water.

Transactions with the City of Des Moines: Water Works provides water service to the City without charge except for the Sewage Treatment Works, Des Moines International Airport and City golf courses. The value (computed at the commercial rate) of the service provided without charge was approximately $600,617 and $591,590 in 2008 and 2007, respectively.

Water Works has an agreement to pay the City a Payment in Lieu of Taxes (PILOT). This amount was calculated in 1998 by applying the City millage rate for police and fire to the value of buildings and land operated and controlled by Water Works located within the City at that time. Total PILOT payments were $234,000 in 2008 and 2007.

Water Works has also agreed to match annual contributions of the City (up to $50,000) toward an industrial development corporation. Payments of $50,000 were made in 2008 and 2007.

Billings and collection agent services: Water Works serves as the billing and collection agent for fees related to sewage treatment, solid waste and storm water collection for certain political subdivisions (including the City). Separate accounting records are maintained by Water Works for these collection services. Fees collected not yet remitted by Water Works to the applicable entity totaled $261,608 and $555,364 as of December 31, 2008 and 2007, respectively. These fees have been reflected in Water Works' balance sheet and were remitted to the City and other political subdivisions subsequent to year-end. Processing fees billed to the City and other political subdivisions for billing and collection services provided by Water Works totaled approximately $924,000 and $992,000 in 2008 and 2007, respectively. The City's fees reflect only the incremental expenses incurred by Water Works to bill and collect the City's charges, rather than an equal sharing of the costs. Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing.

Inventories: Inventories are stated at the lower of average cost or market. The costs of these materials and supplies are recorded as an expense at the time they are relieved from inventory for use.

Board designated funds: These assets are reserves held for any contingencies.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Restricted assets, cash and investments: Water Works is required, under the water revenue bond resolutions, to reserve certain assets to provide for payment of the bonds and interest for protection of the bondholders, and for the improvement and extension of facilities. Disbursement of these assets is restricted by the purpose of the respective funds.

Capital assets: Capital assets are recorded at cost and depreciated utilizing the straight-line method over estimated useful lives as follows:

Buildings, equipment and machinery	3-85 years
Supply system	20-85 years
Distribution system	10-85 years

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized. Water Works' capitalization threshold is $500. When capital assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in the statement of revenues, expenses and changes in net assets. Included in capital assets are the interest capitalized during construction in accordance with accounting principles generally accepted in the United States of America. Capitalized interest was $1,110,993 and $454,152 in 2008 and 2007, respectively.

Net assets: Net assets represent the difference between assets and liabilities in the financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2008 and 2007, Water Works had unspent bond proceeds of $8,824,747 and $19,074,747, respectively.

The Water Works' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Rates: The Board has full authority to establish rates. As part of the rate-setting process, Water Works performs an annual Cost of Service Study to determine the cost of operations. This Study is based on a standard water industry model. Based upon the Study, rates are set to fund future operations. Costs related to operations and maintenance, depreciation based on estimated replacement cost of capital assets (which differs from depreciation expense recorded for financial reporting purposes), debt service and return on capital are factored into the rate design as well as demand factors from various customer classes.

Deferred revenue: During 1996 and years subsequent, Water Works entered into contractual agreements with other political subdivisions to sell treatment capacity to these entities. In exchange for purchasing these amounts of capacity, the political subdivisions will be able to purchase water at a lower wholesale water rate. Purchasers were offered the option of cash payment or participating in issues of water revenue bonds. For entities choosing to pay cash in advance, Water Works records these amounts as deferred revenue and amortizes the amounts into income over periods of 10 to 20 years. For entities participating in the bond issues, Water Works recognizes this revenue on a monthly basis as the entities are billed and as the principal and interest payments become due on the bonds. As of December 31, 2008, Water Works has $15,743,856 of deferred revenue and has recognized $5,775,768 of revenue during 2008. As of December 31, 2007, Water Works has $17,058,119 of deferred revenue and has recognized $5,296,010 of revenue during 2007.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Compensated absences: Vacation and personal leave are accrued as a liability as it is earned. Sick leave benefits do not vest; however, upon retirement, an employee may receive pay for 90 percent of his or her accumulated sick leave up to a maximum of 810 hours. The maximum payable to employees who are eligible for retirement has been recorded as a liability as well as an estimate for employees who are probable of becoming eligible in the future.

Debt financing costs and discounts: Costs incurred to issue water revenue bonds and the Water Revenue Capital Loan note are capitalized. These costs, and the discounts on the water revenue bonds, are amortized over the terms of the bonds and note utilizing a method which approximates the effective interest method.

Fiduciary fund type: The Water Works also includes a pension trust fund, fiduciary fund type. Pension trust funds are accounted for in essentially the same manner as the enterprise fund, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the Des Moines Water Works Pension Plan. This plan is included in the reporting entity due to the Water Works' significant administrative involvement and due to the Board of the Plan consisting of the Water Works' Board members.

Reclassifications: Certain amounts in the 2007 financial statements have been reclassified with no effect on net assets or change in net assets to conform with current year presentations.

Note 2. Cash and Investments

The Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures,* requires state and local governments to disclose certain risks. The disclosures required by GASB Statement No. 40 provide readers with information concerning the credit and interest risks associated with the Water Works' deposits and investments.

Authorized investments: Water Works is authorized to invest in obligations of the US government, its agencies and instrumentalities; certificates of deposit at federally insured Iowa depository institutions approved by the Code of Iowa, Chapter 12C; and repurchase agreements if the underlying collateral consists of obligations of the US government, its agencies and instrumentalities. The Water Works' investment policy prohibits investments in reverse repurchase agreements and futures and options contracts. In addition, investing pursuant to the following investment practices is prohibited: trading of securities for speculation of the realization of short-term trading gains; a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets; or if a fiduciary or third party has failed to produce requested records within a reasonable time.

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 of its fair value to changes in market interest rates. In an effort to limit exposure to fair value losses arising from interest rate risk, the Water Works' investment policy places maturity limitations on both operating funds and nonoperating funds. Operating funds are defined as those that are reasonably expected to be expended during the current budget year or within 15 months. Operating funds may only be invested in authorized instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days, but less than 1,726 days. All investments, however, shall have maturities that are consistent with the needs and uses of the utility.

Note 2. Cash and Investments (Continued)

Information about the sensitivity of the fair value of the Water Work's investments to market interest rate fluctuations is provided by the table below:

Type	Fair Value December 31, 2008	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
Federal Home Loan Bank	$ 14,402,054	$ 4,513,474	$ 3,308,165	$ 2,061,405	$ 1,218,700	$ 3,300,310
Federal Home Loan Mortgage Corp.	9,526,134	2,687,601	2,546,810	1,496,482	-	2,795,241
Federal Home Loan Mortgage Corp. Discount Notes	903,728	449,955	453,773	-	-	-
Federal National Mortgage Assoc.	7,851,207	2,777,586	1,793,591	197,779	723,641	2,358,610
	$ 32,683,123	$ 10,428,616	$ 8,102,339	$ 3,755,666	$ 1,942,341	$ 8,454,161

The Water Works also has an investment in land purchased with the intent to sell; however, no commitment for sale exists as of December 31, 2008. The land is recorded at the lower of cost or market at $624,562.

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 December 31, 2008, the Water Works' investments were rated as follows:

Type	S&P Rating	Moody's Rating
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage Corp.	AAA	Aaa
Federal Home Loan Mortgage Corp. Discount Notes	AAA	Aaa
Federal National Mortgage Assoc.	AAA	Aaa

Concentration of credit risk: The policy defines diversification requirements for the Water Works' investments. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of security. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Liquidity practices shall be followed to ensure that funds required for the next disbursement date and next payroll date are covered through maturity investments, marketable US Treasury bills or cash on hand. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on investments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Note 2. Cash and Investments (Continued)

More than 5 percent of the utility's investments are in the following investments:

Type	Percent of Total
Federal Home Loan Bank	44.07%
Federal Home Loan Mortgage Corporation	29.15%
Federal National Mortgage Association	24.02%

The Water Works' investments during the year did not vary substantially from those at year-end in amounts or level or risk.

Custodial credit risk: The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution or counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover deposits or will not be able to recover collateral securities or value of investments that are in the possession of an outside party. Deposits in financial institutions as of December 31, 2008 and throughout the year are covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C, Code of Iowa. This Chapter provides additional assessments against the depositories to ensure there is no loss of public funds. Water Works' bank balances and book balances of deposits were $8,639,968 and $7,840,141 as of December 31, 2008, respectively. Water Works' bank balances and book balances of deposits were $9,166,961 and $7,885,540 as of December 31, 2007, respectively. Water Works' investments were not exposed to custodial credit risk as of December 31, 2008 or 2007.

Pension Plan Deposits and Investments

Deposits: As of December 31, 2008 and 2007, the Plan held no deposits.

Investments: The Plan's investments in pooled separate accounts are stated at fair value based on quoted market prices of the investments held in each account as determined by Principal Life Insurance Company (Principal). Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the exdividend date.

Asset allocation strategy: The Des Moines Water Works Pension Plan's Named Fiduciary asset allocation strategy shall identify target allocations to eligible asset classes and, where appropriate, suitable ranges within which each asset class can fluctuate as a percent of the total fund. Each asset class is to remain suitably invested at all times in either cash (or cash equivalents) or permitted securities within each class. The assets classes may be rebalanced from time to time to take advantage of tactical misvaluations across major asset classes or investment styles, or to align the current asset mix with strategic targets.

Authorized investments: The Des Moines Water Works Pension Plan's investment policy permits the Named Fiduciary to consider all asset classes allowed by ERISA as acceptable investment options and to select one or more customized investment portfolios and retain an investment manager to manage the assets of each such portfolio. The following assets classes are permitted for Plan investment options: Stable Value, Domestic Fixed Income, International or Foreign Fixed Income, Real Estate, Domestic Stock, International or Foreign Stock and Balanced/Asset allocation.

Note 2. Cash and Investments (Continued)

GASB Statement No. 40 requires plan investments to disclose an indication of the level of credit risk, concentration of credit risk and interest rate risk assumed by the Plan. These risk disclosures only pertain to fixed income investments. As of December 31, 2008, the Plan had investments listed in the table below. Amounts are shown in dollars. Effective duration is shown in years. Investments held by the Plan were not subject to custodial credit risk or foreign currency risk.

	Fair Value	Effective Duration
Fixed income investments:		
Core Plus Bond Account	$ 1,046,321	2.58
Principal Bond and Mortgage Account	7,404,213	3.72
Principal Inflation Protection Account	1,776,307	5.69
Principal High Yield Account	1,499,981	5.69
Principal Preferred Securities Account	398,825	5.63
U.S. Property Account	1,777,291	N/A
Total fair value of fixed income investments	13,902,938	
Other investments, nonfixed income investments	15,298,718	
Total investments	$ 29,201,656	

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 of its fair value to changes in market interest rates.

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pooled separate accounts held by the Plan are commingled pools, rather than individual securities. As a result, these investments are not rated.

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 4,911,351	$ -	$ -	$ 4,911,351
Construction-in-progress	33,207,076	14,024,872	10,614,770	36,617,178
Total capital assets not being depreciated	38,118,427	14,024,872	10,614,770	41,528,529
Capital assets being depreciated:				
Buildings, equipment and machinery	118,478,059	1,676,355	81,197	120,073,217
Supply system	39,643,628	3,435,249	-	43,078,877
Distribution system	143,157,973	5,503,165	-	148,661,138
Total capital assets being depreciated	301,279,660	10,614,769	81,197	311,813,232
Less accumulated depreciation for:				
Buildings, equipment and machinery	58,102,437	3,025,679	81,197	61,046,919
Supply system	12,124,592	716,448		12,841,040
Distribution system	35,601,582	2,529,312		38,130,894
Total accumulated depreciation	105,828,611	6,271,439	81,197	112,018,853
Total capital assets being depreciated, net	195,451,049	4,343,330	-	199,794,379
Net capital assets	$ 233,569,476	$ 18,368,202	$ 10,614,770	$ 241,322,908

Note 3. Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2007 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 4,911,351	$ -	$ -	$ 4,911,351
Construction-in-progress	13,872,969	24,625,811	5,291,704	33,207,076
Total capital assets not being depreciated	18,784,320	24,625,811	5,291,704	38,118,427
Capital assets being depreciated:				
Buildings, equipment and machinery	118,022,971	688,106	233,018	118,478,059
Supply system	39,643,628	-	-	39,643,628
Distribution system	138,399,220	4,758,753	-	143,157,973
Total capital assets being depreciated	296,065,819	5,446,859	233,018	301,279,660
Less accumulated depreciation for:				
Buildings, equipment and machinery	54,284,637	4,050,818	233,018	58,102,437
Supply system	11,407,227	717,365	-	12,124,592
Distribution system	33,127,692	2,473,890	-	35,601,582
Total accumulated depreciation	98,819,556	7,242,073	233,018	105,828,611
Total capital assets being depreciated, net	197,246,263	(1,795,214)	-	195,451,049
Net capital assets	$ 216,030,583	$ 22,830,597	$ 5,291,704	$ 233,569,476

Note 4. Noncurrent Liabilities

As of December 31, 2008, Water Works' debt consists of Water Revenue Refunding Bonds, Series 2004 A & B and 2006; and Water Revenue Capital Loan Note, Series 2003 (through the Drinking Water State Revolving Fund (SRF)). Interest on these bonds and note is payable semiannually on June 1 and December 1, with principal payable on December 1. Series 2004 A & B mature on December 1, 2024 and 2017, respectively, and Series 2006 mature on December 1, 2026. The Series 2003 note matures on December 1, 2022. The bonds and note are redeemable at the option of Water Works prior to their maturity in whole or, from time to time, in part, in any order of maturity and within a maturity by lot, at a price of par plus accrued interest to call date. Revenue Refunding Bonds, Series 2001, matured on December 1, 2007.

Changes in long-term obligations for the year ended December 31, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2004 A & B	$ 21,665,000	$ -	$ 1,645,000	$ 20,020,000	$ 1,695,000
Series 2006	50,690,000	-	2,030,000	48,660,000	2,110,000
Water Revenue Capital, Series 2003	1,925,000	-	103,000	1,822,000	107,000
Compensated absences	1,961,325	2,148,871	1,961,325	2,148,871	1,534,324
	$ 76,241,325	$ 2,148,871	$ 5,739,325	$ 72,650,871	$ 5,446,324

Changes in long-term obligations for the year ended December 31, 2007 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2001	$ 2,270,000	$ -	$ 2,270,000	$ -	$ -
Series 2004 A & B	22,895,000	-	1,230,000	21,665,000	1,645,000
Series 2006	51,860,000	-	1,170,000	50,690,000	2,030,000
Water Revenue Capital, Series 2003	2,025,000	-	100,000	1,925,000	103,000
Compensated absences	2,014,134	1,961,325	2,014,134	1,961,325	1,326,253
	$ 81,064,134	$ 1,961,325	$ 6,784,134	$ 76,241,325	$ 5,104,253

Note 4. Noncurrent Liabilities (Continued)

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Refunding Bonds, Series 2004 A is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2009	3.00%	$ 275,000	$ 229,781	$ 504,781
2010	3.25	285,000	221,531	506,531
2011	3.38	290,000	212,269	502,269
2012	3.50	300,000	202,481	502,481
2013	3.75	315,000	191,981	506,981
2014-2018	4.00	1,760,000	765,444	2,525,444
2019-2023	4.00-4.20	2,175,000	382,275	2,557,275
2024	4.25	500,000	21,250	521,250
		$ 5,900,000	$ 2,227,012	$ 8,127,012

A summary of the aggregate principal and interest requirement outstanding for the Water Revenue Refunding Bonds, Series 2004 B is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2009	3.00%	$ 1,420,000	$ 509,075	$ 1,929,075
2010	3.00	1,465,000	466,475	1,931,475
2011	3.00	1,510,000	422,525	1,932,525
2012	3.25	1,570,000	377,225	1,947,225
2013	4.00	1,625,000	326,200	1,951,200
2014-2017	4.00	6,530,000	623,600	7,153,600
		$ 14,120,000	$ 2,725,100	$ 16,845,100

Note 4. Noncurrent Liabilities (Continued)

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Refunding Bonds, Series 2006 is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2009	4.00%	$ 2,110,000	$ 1,999,231	$ 4,109,231
2010	4.00	2,180,000	1,914,831	4,094,831
2011	4.00	2,260,000	1,827,631	4,087,631
2012	4.00	2,355,000	1,737,231	4,092,231
2013	4.00	2,440,000	1,643,031	4,083,031
2014-2018	4.00	12,850,000	6,685,556	19,535,556
2019-2023	4.00	14,260,000	4,044,700	18,304,700
2024-2026	4.00	10,205,000	906,719	11,111,719
		$ 48,660,000	$ 20,758,930	$ 69,418,930

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Capital Loan Note is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2009	3.00%	$ 107,000	$ 54,660	$ 161,660
2010	3.00	110,000	51,450	161,450
2011	3.00	113,000	48,150	161,150
2012	3.00	116,000	44,760	160,760
2013	3.00	120,000	41,280	161,280
2014-2018	3.00	656,000	150,180	806,180
2019-2022	3.00	600,000	45,690	645,690
		$ 1,822,000	$ 436,170	$ 2,258,170

The water revenue bond and water revenue capital loan note resolutions (Resolutions) provide that future water customer revenues, net of specified operating expenses of Water Works is pledged for the purpose of paying Series 2003, Series 2004 and Series 2006 bonds. Proceeds from the bonds were used to provide additional infrastructure needs. The bonds are payable solely from customers net revenues. The Resolutions further require that sufficient monies be set aside to meet current expenses of Water Works. All remaining monies are to be segregated and restricted in separate special reserves. These special reserves are reflected as restricted assets on the balance sheet. The Resolutions also require the issuer maintain insurance coverage of a kind and in an amount which usually would be carried by private companies engaged in a similar kind of business. Water Works maintains fire and extended coverage insurance in the amount of $283,322,999 per occurrence on building and contents; in addition, liability insurance is maintained.

Note 4. Noncurrent Liabilities (Continued)

A summary of the outstanding debt, principal and interest requirements are as follows:

	Issue Date	Year Maturing	Principal and Interest Remaining	Principal and Interest Paid in 2008	Annual Payments as a Percentage of Net Revenues
Water Revenue Bonds:					
Series 2004 A	12/1/2004	2024	$ 8,127,012	502,731	3.90%
Series 2004 B	12/1/2004	2017	16,845,100	1,930,475	14.99
Series 2006	3/1/2006	2026	69,418,930	4,110,431	31.92
Water Revenue Capital,					
Series 2003	4/16/2003	2022	2,258,170	160,750	1.25
			$ 96,649,212	$ 6,704,387	52.06%

Total customer net revenues were $12,878,158. Annual principal and interest payments on the bonds are approximately 52 percent of net revenues.

Note 5. Pension Plan

Water Works has a noncontributory defined benefit single employer pension plan, established by the Board, called the Des Moines Water Works Pension Plan (the Plan). All full-time Water Works employees and employees who work at least 1,040 hours in a calendar year or work during two consecutive calendar quarters are eligible to participate in the Plan. Benefits vest after five years of continuous service and normal retirement is allowed at or after age 65. Early retirement is allowed without a reduction in benefits beginning at age 55 if the employee's combined years of service and age are 85 or greater and is allowed with reduced benefits for vested employees with less than 30 years of service beginning at age 55. The pension benefit formula is based upon a percent of average compensation and the number of years of service with Water Works. A participant's monthly accrued benefit is equal to 1.5 percent of their average monthly compensation times their years of continuous service with Water Works. Average monthly compensation is determined by taking the average monthly pay for the 60 consecutive full calendar months out of the 120 latest calendar months which give the highest average. The Plan also provides death and disability benefits to vested employees. The Plan Administrator is the Board of Trustees of Des Moines Water Works. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to or calling the Water Works.

Water Works' annual pension cost and net pension liability for the three years ended 2008 were as follows:

	2008	2007	2006
Annual required contribution (ARC)	$ 545,782	$ 679,631	$ 885,540
Interest	29,130	41,823	43,728
Adjustment to annual required contribution	(45,753)	(65,688)	(68,680)
Annual pension cost (APC)	529,159	655,766	860,588
Contributions made	800,000	825,000	885,990
(Increase) decrease in net pension liability	270,841	169,234	25,402
Net pension (liability), beginning of year	(388,404)	(557,638)	(583,040)
Net pension (liability), end of year	$ (117,563)	$ (388,404)	$ (557,638)
Percentage of APC contributed	151.2%	125.8%	103.0%

Note 5. Pension Plan (Continued)

The net pension obligation is the pension asset or (liability) that arises from cumulative differences between the ARC and actual employer contributions. The net pension benefit liability above was computed as part of the annual actuarial valuation performed as of January 1, 2009, 2008 and 2007 using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. There were no significant differences between December 31, 2008, 2007 and 2006 and January 1, 2009, 2008 and 2007, respectively, which would cause the actuarial valuations not to be representative as of December 31, 2008, 2007 and 2006. The actuarial assumptions used to compute the pension benefit liability included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.0 percent. These amounts were computed using the RP-2000 Mortality Table with a 3.0 percent cost of living factor increase included.

The Plan's funding policy provides for periodic employer contributions at rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. However, as the Plan is exempt from ERISA funding requirements, any amount may be contributed to the Plan. The suggested employer contribution rates are determined using the aggregate cost method.

Amounts contributed to the Plan from Water Works are determined by the Board of Trustees of Des Moines Water Works. The contributions to the Plan in 2008 and 2007 were approximately 7.3 percent and 7.5 percent, respectively, of the total covered payroll in each year.

As of January 1, 2009, the most recent actuarial valuation date, the Plan was 98 percent funded. The actuarial accrued liability for benefits was $42,450,678 and the actuarial value of assets was $41,513,612, resulting in an unfunded actuarial accrued liability (UAAL) of $937,066. The covered payroll (annual payroll of active employees covered by the Plan) was $10,947,799 and the ratio of UAAL to covered payroll was 9 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a period of several years. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. Information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of the plan.

Note 6. Other Postemployment Benefits

Plan description: The Water Works sponsors a single-employer health care plan that provides certain postretirement health care benefits, in accordance with the policy established by the Board, to all employees who retire from Water Works after attaining age 55 with 5 years of service. As of December 31, 2008, 64 retirees receive postretirement health care benefits. Water Works provides a Medicare supplement or equivalent amount to all employees who retire after attaining age 55, if the sum of their age and years of service are at least 85 or for those who retire after attaining age 65 regardless of length of service. Employees who retire prior to attaining age 65 with the sum of their age and years of service less than 85 receive a discounted benefit as provided by the plan document. The plan does not issue a stand-alone financial report.

Funding policy: The health insurance plan contributions on behalf of employees are negotiated by management and the union and governed by the Water Work's union contracts.

Note 6. Other Postemployment Benefits (Continued)

The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the Water Works contributed $1,587,484. Retiree and active members receiving benefits contributed $468,252. The required contribution of $74.41 per month for single health coverage and $219.85 for family health coverage is for active members and retirees under the age of 65. Retirees over the age of 65 contribute varying amounts based on the plan selected.

Annual OPEB Cost and Net OPEB Obligation: The Water Work's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Water Work's annual OPEB cost for the year, the amount actuarially contributed to the plan and changes in the Water Work's annual OPEB obligation:

Annual required contribution	$ 1,587,484
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,587,484
Contributions and payments made	263,137
Increase in net OPEB obligation	1,324,347
Net OPEB obligation - January 1, 2007	-
Net OPEB obligation - December 31, 2008	$ 1,324,347

The Water Work's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2008 and the two preceding years follows. This is the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2006	N/A	N/A	N/A
December 31, 2007	N/A	N/A	N/A
December 31, 2008	$ 1,587,484	17%	$ 1,324,347

Funded status and funding progress: Post Employment Benefit Obligations under GASB Statement No. 45 calculated as of December 31, 2006, the most recent valuation date is as follows:

	Total	Members
Actuarial Accrued Liability		
Current retirees, beneficiaries and dependents	$ (2,499,838)	65
Current active members	(4,649,856)	212
Total Actuarial Accrued Liability (AAL)	(7,149,694)	
OPEB Plan Assets	-	
Unfunded Actuarial Accrued Liability (UAAL)	(7,149,694)	

Note 6. Other Postemployment Benefits (Continued)

The covered payroll (annual payroll of active employees covered by the plan) was $12,052,777 and the ratio of the UAAL to the covered payroll was 59 percent. The results of the December 31, 2006 valuation were rolled forward to December 31, 2008.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation date, the unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.0 percent initially, grading down to 5.0 percent in 7 years. The Water Work's unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period as of December 31, 2006, was 30 years.

Note 7. Risk Management

Water Works is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters and malpractice.

Water Works purchases commercial insurance for property and casualty, workers' compensation, employee health, life and long-term disability insurance. During the last three years, settled claims have not exceeded insurance coverage.

Note 8. Commitments

Approximately $2,225,000 related to 2008 contracts has been formally committed as of December 31, 2008. In addition, the Board has approved approximately $17,000,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2009.

In 1983, Water Works determined additional water resources would be required for future customer needs. As a result, the Board has contracted with the United States of America – Army Corps of Engineers, through the state of Iowa, for water supply storage in the Saylorville Reservoir Project continuing through the life of the project. Under the contract, Water Works is required to pay a portion of future major renovation costs of the project. Water Works also pays a portion of the annual operation and maintenance costs of the project. Water Works' portion of operation and maintenance costs was approximately $6,300 in 2007. Due to a change in methodology of computing the amount, there was no payment in 2008.

Note 8. Commitments (Continued)

On January 5, 2004, the Water Works and City of Des Moines, Iowa entered into a 28E Agreement for the operation, management and maintenance of the Botanical Center. The Water Works is responsible for the management and operation of the Botanical Center for the City. All revenues generated and expenses incurred for the operation are retained by Water Works. The agreement exists for an initial term of January 5, 2004 through December 31, 2009 and may renew on and after January 1, 2010 for not more than three successive three-year terms.

For the years ended December 31, 2008 and 2007, revenues generated by the Botanical Center were approximately $688,000 and $749,000, respectively. Expenses were approximately $973,000 and $916,000, respectively.

Note 9. New Governmental Accounting Standards Board (GASB) Statements

Water Works implemented the following GASB Statements during the year ended December 31, 2008:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to Water Works was to record a liability of $1,324,347 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be $7,149,694 as of December 31, 2008.

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

- GASB Statement No. 50, *Pension Disclosures,* an amendment of GASB Statement Nos. 25 and 27. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement modified the disclosures for the Water Works pension plan.

As of December 31, 2008, the GASB also had issued several statements not yet implemented by the Water Works. The statements which might impact Water Works are as follows:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Water Works beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

Note 9. New Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the Water Works beginning with its year ending December 31, 2009. 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.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Water Works beginning with its year ending December 31, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for Water Works beginning with its year ending December 31, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The Water Works' management has not yet determined the effect these Statements will have on Water Works' financial statements.

Des Moines Water Works

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2008	**12/31/06**	**$ -**	**$ 7,149,694**	**$ (7,149,694)**	**- %**	**$ 12,052,777**	**59.3%**

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

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of December 31, 2006. Additional information follows:

a. The actuarial method used to determine the ARC is the unit credit method.
b. There are no plan assets.
c. The actuarial assumptions included: (1) 4 percent investment rate of return and (b) a health care cost trend rate of 8 percent initially, grading down to 5 percent in 7 years.
d. The unfunded actuarial accrued liability is being amortized over 30 years.

Des Moines Water Works
Pension Plan

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date		(1) Actuarial Value of Assets		(2) Actuarial Accrued Liability (AAL)		(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)		(5) Annual Covered Payroll	(6) UAAL as a Percentage of Payroll [(2) - (1)] / (5)
01/01/2004	$	29,724,126	$	29,724,126	$	-	100.00%	$	10,126,372	- %
01/01/2005		32,738,546		32,738,546		-	100.00		10,688,495	-
01/01/2006		35,987,086		35,987,086		-	100.00		10,826,006	-
01/01/2007		39,967,624		39,967,624		-	100.00		10,773,915	-
01/01/2008		43,038,338		40,236,733		(2,801,605)	107.00		11,058,383	(25)
01/01/2009		41,513,612		42,450,678		937,066	98.00		10,947,799	9

The Actuarial Required Contribution (ARC) is calculated using the aggregate actuarial cost method. Information in the above schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the Plan.

See Note to Required Supplementary Information.

Des Moines Water Works
Pension Plan

Required Supplementary Information
Schedule of Contributions from the Employer

Year Ended December 31:	Annual Required Contribution	Actual Contribution	Percentage Contribution
2001	$ 793,691	$ 478,000	60.22%
2002	735,168	466,000	63.39
2003	931,470	735,000	78.91
2004	896,193	800,000	89.27
2005	941,548	896,000	95.16
2006	885,540	885,990	100.05
2007	679,631	825,000	121.39
2008	**545,782**	**800,000**	**146.58**

See Note to Required Supplementary Information.

Des Moines Water Works
Pension Plan

Note to Required Supplementary Information

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation:	
Frequency	Annual
Latest date	January 1, 2009
Cost method	Aggregate cost method
Amortization	Not applicable under Aggregate Cost Method. The Aggregate Cost Method does not identify or separately amortize unfunded actuarial liabilities. They are amortized through normal cost.
Asset valuation method	Fair value is adjusted by spreading the expected value minus the actual value over four years. The total actuarial value of assets falls within the applicable corridor limits.
Assumptions:	
Investment rate of return	7.5%
Salary increases	5.0% annual increases until retirement
Retirement age	The later of meeting the rule of 85 or age 58, but not later than age 65.
Mortality	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.
Rate of withdrawal	V Table from August 1992 Pension Forum, multiplied by 0.60
Cost of living	3.0% to project benefits and compensation limitations

In addition to the above assumptions, an estimate of the Plan's expenses is included in normal cost.

60

Des Moines Water Works

Report to the Board of Water Works Trustees

June 12, 2009

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen
Certified Public Accountants

June 12, 2009

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 of Des Moines Water Works for the years ended December 31, 2008 and 2007. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Des Moines Water Works' financial reporting process. Also included is a summary of recently issued accounting standards that may affect future financial reporting by Des Moines Water Works.

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

Contents

Required Communications

Statement on Auditing Standards No. 114 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
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States has been described to you in our arrangement letter dated January 8, 2009.
Accounting Practices	**Adoption of, or Change in, Accounting Policies** 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) Statements. • GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to Des Moines Water Works was to record a liability of $1,324,347 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be $7,149,694 as of December 31, 2008. The Statement also required additional disclosures and required supplementary information.

Area	Comments
	• GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This Statement had no effect on Des Moines Water Works in the current year. • GASB Statement No. 50, *Pension Disclosures, an amendment of GASB Statement Nos. 25 and 27.* This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement modified the disclosures for the Des Moines Water Works' pension plan. **Significant or Unusual Transactions** 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. **Alternative Treatments Discussed with Management** 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.
Management's Judgments and Significant 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 Significant Accounting Estimates".

Area	Comments
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	Following is a description of significant issues arising from the audit that were discussed with management: • The implementation of GASB 45 related to other postemployment benefits.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses	We identified no significant deficiencies or material weaknesses during our audit of the financial statements.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the entity are attached as Exhibit A.

Des Moines Water Works

Summary of Significant Accounting Estimates
Year Ended December 31, 2008

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, 2008 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 an actuary to compute the balances and disclosures.	We analyzed the Water Works' methodology, obtained actuarial calculation reports and concluded the estimates are 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 the Water Works 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.

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by Des Moines Water Works. Des Moines Water Works' management has not yet determined the effect these Statements will have on Des Moines Water Works' financial statements. However, Des Moines Water Works plans to implement all standards by the required dates. The Statements which might impact Des Moines Water Works are as follows:

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

This Statement, issued July 2007, will be effective for the Des Moines Water Works beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*

This Statement, issued November 2007, will be effective for the Des Moines Water Works beginning with its year ending December 31, 2009. 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.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

This Statement, issued June 2008, will be effective for the Des Moines Water Works beginning with its year ending December 31, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

This Statement, issued March 2009, will be effective for the Des Moines Water Works beginning with its year ending December 31, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this Statement to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, this new Statement establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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 basic financial statements of Des Moines Water Works as of and for the year ended December 31, 2008, and have issued our report thereon dated June 12, 2009. 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.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 12, 2009

DES MOINES WATER WORKS
Board of Water Works Trustees

Des Moines
Water Works
Water You Can Trust for Life

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

June 12, 2009

McGladrey & Pullen, LLP
201 North Harrison St., Suite 300
Davenport, Iowa

In connection with your audits of the basic financial statements of Des Moines Water Works, Iowa as of and for the years ended December 31, 2008 and 2007, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of June 12, 2009, the following representations made to you during your audits:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.

2. There are no organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:

    a. Component units.

    b. Other organizations for which the nature and significance of their relationship with Des Moines Water Works are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

    c. Jointly governed organizations in which we participated.

3. We are responsible for compliance with laws and regulations applicable to Des Moines Water Works, including adopting, approving and amending budgets.

4. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities.

5. We have made available to you:

    a. All financial records and related data of all funds and activities, including those of all programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.

    b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

6. We have no knowledge of fraud or suspected fraud affecting the entity involving:

    a. Management or employees who have significant roles in the internal control.

    b. Others where the fraud could have a material effect on the financial statements.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting Des Moines Water Works received in communications from employees, former employees, analysts, regulators, short sellers or others.

9. We have informed you that there are no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.

10. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12. The following have been properly recorded and/or disclosed in the financial statements:

    a. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with Des Moines Water Works are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, all as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

    b. The fair value of investments.

    c. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.

    d. Debt issue provisions.

    e. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.

    f. The effect on the financial statements of GASB Statement Nos. 51, 52, 53 and 54 which have been issued, but which we have not yet adopted.

g. Deposits and investment securities category of custodial credit risk.

h. Restrictions of cash and investments.

13. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

a. To reduce receivables to their estimated net collectable amounts.

b. To reduce obsolete, damaged or excess inventories to their estimated net realizable values.

c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2008 and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2008.

d. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2008.

14. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

d. Guarantees, whether written or oral, under which the Government is contingently liable.

e. Arrangements with financial institutions involving compensating balances.

f. Line of credit or similar arrangements.

g. Agreements to repurchase assets previously sold.

h. Security agreements in effect under the Uniform Commercial Code.

i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.

j. Liabilities which are subordinated in any way to any other actual or possible liabilities.

k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.

l. All leases and material amounts of rental obligations under long-term leases.

m. Authorized but unissued bonds and/or notes.

n. Risk financing activities.

o. Derivative financial instruments.

p. Special and extraordinary items.

q. Arbitrage rebate liabilities.

r. Impairment of capital assets.

s. Investments, intangibles and other assets which have permanently declined in value to their realizable values.

t. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

u. Material losses to be sustained as a result of purchase commitments.

v. Environmental cleanup obligations.

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

16. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, that is not disclosed in the financial statement.

17. We have satisfactory title to all owned assets.

18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

19. Net asset components invested in capital assets, net of related debt, restricted and unrestricted are properly classified and, if applicable, approved.

20. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.

21. Required supplementary information is properly measured and presented.

22. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. These adjustments are attached as Appendix A. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

23. We appropriately adopted:

    a. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension.* This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this statement to Des Moines Water Works was to record a liability of $1,324,347 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be $7,149,694 as of December 31, 2008.

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

    c. GASB Statement No. 50, *Pension Disclosures,* an amendment of GASB Statement Nos. 25 and 27. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement modified the disclosures for the Des Moines Water Work's pension plan.

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:

24. We are responsible for:

    a. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to Des Moines Water Works.

    b. Establishing and maintaining effective internal control over financial reporting.

25. We have identified and disclosed to you:

    a. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.

    b. Violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

26. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.

27. We have a process to track the status of audit findings and recommendations.

28. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

29. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

30. We have reviewed, approved, and take full responsibility for the financial statements and related notes.

31. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audits, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Des Moines Water Works

Randy Beavers
Chief Executive Officer

Peggy Freese
Director of Finance

Michelle Holland
Controller

Des Moines Water Works

Appendix A

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
		Net Income (Loss) Before Adjustments					5,393,039.03	
2	12/31/2008	Inventory - Receivings Accrual	201110		38,548.20			
2	12/31/2008	Water Treatment Chemicals	604100			38,548.20		
		Client provided entry (occured after M&P received TB)			38,548.20	38,548.20	5,431,587.23	38,548.20
3	12/31/2008	Construction in Progress	108100		968,188.22			
3	12/31/2008	Construction in Progress	108100		142,805.03			
3	12/31/2008	Capital Services	801500		968,188.22			
3	12/31/2008	Capital Services	801500		142,805.03			
3	12/31/2008	Transfer to Capital	805100			968,188.22		
3	12/31/2008	Transfer to Capital	805100			142,805.03		
3	12/31/2008	Interest Expense	902100			968,188.22		
3	12/31/2008	Interest Expense	902100			142,805.03		
		Client provided entry (occured after M&P received TB)			2,221,986.50	2,221,986.50	6,542,580.48	1,110,993.25
4	12/31/2008	Bond Project Fund	104110		4,053.42			
4	12/31/2008	Bond Reserve-Govt Agency	104500			41.30		
4	12/31/2008	Bond SWTP Project Fund	104710		12,887.70			
4	12/31/2008	Investment Income	901100			16,899.82		
		Client provided entry (occured after M&P received TB)			16,941.12	16,941.12	6,559,480.30	16,899.82
5	12/31/2008	Inventory	105100		47,575.38			
5	12/31/2008	Inventory	105100			44,679.61		
5	12/31/2008	Inventory Adjustment	105110		44,679.61			
5	12/31/2008	Water Treatment Chemicals	604100			47,575.38		
		Client provided entry (occured after M&P received TB)			92,254.99	92,254.99	6,607,055.68	47,575.38
6	12/31/2008	Construction in Progress	108100		197,997.16			
6	12/31/2008	Transfer to Capital	805100			197,997.16		
		Client provided entry (occured after M&P received TB)			197,997.16	197,997.16	6,805,052.64	197,997.16
7	12/31/2008	Accounts Receivable Misc.	102120		18,669.71			
7	12/31/2008	Insurance Withholding	201320			18,669.71		
7	12/31/2008	Insurance Withholding	201320			3,439.00		
7	12/31/2008	Group Insurance	503100		275.12			
7	12/31/2008	Group Insurance	503100		653.41			
7	12/31/2008	Group Insurance	503100		137.56			
7	12/31/2008	Group Insurance	503100		103.17			
7	12/31/2008	Group Insurance	503100		309.51			
7	12/31/2008	Group Insurance	503100		894.14			
7	12/31/2008	Group Insurance	503100		962.92			
7	12/31/2008	Group Insurance	503100		103.17			
		Client provided entry (occured after M&P received TB)			22,108.71	22,108.71	6,801,613.84	(3,439.00)
8	12/31/2008	Additional Vacation	201370		90,138.65			
8	12/31/2008	Accrued Leave Expense	502100			90,138.65		
		Client provided entry (occured after M&P received TB)						

Des Moines Water Works

Appendix A

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
					90,138.65	90,138.65	6,891,752.49	90,138.65
9	12/31/2008	Accrued Leave Payable	202100			104,088.67		
9	12/31/2008	Accrued Leave Payable	202100			76,435.35		
9	12/31/2008	Accrued Leave Payable	202100			7,021.56		
9	12/31/2008	Accrued Leave Expense	502100		23,472.45			
9	12/31/2008	Accrued Leave Expense	502100		1,024.21			
9	12/31/2008	Accrued Leave Expense	502100		2,539.41			
9	12/31/2008	Accrued Leave Expense	502100		1,992.46			
9	12/31/2008	Accrued Leave Expense	502100		66,038.83			
9	12/31/2008	Accrued Leave Expense	502100			3,464.09		
9	12/31/2008	Accrued Leave Expense	502100		12,485.40			
9	12/31/2008	Accrued Leave Expense	502100		76,435.35			
9	12/31/2008	Accrued Leave Expense	502100		7,021.56			
		Client provided entry (occured after M&P received TB)						
					191,009.67	191,009.67	6,704,206.91	(187,545.58)
10	12/31/2008	Bond Project Fund	104110			4,053.42		
10	12/31/2008	Bond Reserve-Govt Agency	104500		41.30			
10	12/31/2008	Bond SWTP Project Fund	104710			12,887.70		
10	12/31/2008	Investment Income	901100		16,899.82			
		Client provided entry (occured after M&P received TB)						
					16,941.12	16,941.12	6,687,307.09	(16,899.82)
11	12/31/2008	Contracts Payable	201200			236.24		
11	12/31/2008	Capital Services	801500		236.24			
		Client provided entry (occured after M&P received TB)						
					236.24	236.24	6,687,070.85	(236.24)
12	12/31/2008	Accounts Payable	201100			197,997.16		
12	12/31/2008	Capital Services	801500		197,997.16			
		Client provided entry (occured after M&P received TB)						
					197,997.16	197,997.16	6,489,073.69	(197,997.16)
13	12/31/2008	Construction in Progress	108100		340,934.98			
13	12/31/2008	Transfer to Capital	805100			340,934.98		
		Client provided entry (occured after M&P received TB)						
					340,934.98	340,934.98	6,830,008.67	340,934.98
14	12/31/2008	Contracts Payable	201200			660,647.53		
14	12/31/2008	Capital Services	801500		660,647.53			
		Client provided entry (occured after M&P received TB)						
					660,647.53	660,647.53	6,169,361.14	(660,647.53)
15	12/31/2008	Contracts Payable	201200		144,087.75			
15	12/31/2008	Contracts Payable	201200		38,583.45			
15	12/31/2008	Contracts Payable	201200		99,955.64			
15	12/31/2008	Contracts Payable	201200		30,321.95			
15	12/31/2008	Contracts Payable	201200		7,000.00			
15	12/31/2008	Capital Services	801500			144,087.75		
15	12/31/2008	Capital Services	801500			38,583.45		
15	12/31/2008	Capital Services	801500			99,955.64		
15	12/31/2008	Capital Services	801500			30,321.95		
15	12/31/2008	Capital Services	801500			7,000.00		
		Client provided entry (occured						

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
		after M&P received TB)			319,948.79	319,948.79	6,489,309.93	319,948.79
16	12/31/2008	GASB 27 Pension Asset/Liabilit	105650		270,841.00			
16	12/31/2008	Retirement System	504200			270,841.00		
		Client provided entry (occured after M&P received TB)			270,841.00	270,841.00	6,760,150.93	270,841.00
17	12/31/2008	Accounts Payable	201100			384.96		
17	12/31/2008	Botanical Center Contributions	204250		313.85			
17	12/31/2008	Miscellaneous Liabilities	204700		12,768.91			
17	12/31/2008	Billed Service - DM	403500			12,706.75		
17	12/31/2008	Billed Service - DM	403500			313.85		
17	12/31/2008	Purchased Services	701100			62.16		
17	12/31/2008	Purchased Services	701100		384.96			
		Client provided entry (occured after M&P received TB)			13,467.72	13,467.72	6,772,848.73	12,697.80
18	12/31/2008	Vehicles	106550			23,286.00		
18	12/31/2008	Vehicles	106550			9,562.85		
18	12/31/2008	Vehicles	106550			15,045.00		
18	12/31/2008	Vehicles	106550			15,705.00		
18	12/31/2008	Vehicles	106550			17,598.58		
18	12/31/2008	Accumulated Depreciation	107100		23,286.00			
18	12/31/2008	Accumulated Depreciation	107100		9,562.85			
18	12/31/2008	Accumulated Depreciation	107100		15,045.00			
18	12/31/2008	Accumulated Depreciation	107100		15,705.00			
18	12/31/2008	Accumulated Depreciation	107100		17,598.58			
18	12/31/2008	Accumulated Depreciation	107100			355,797.43		
18	12/31/2008	Accumulated Depreciation	107100			3.68		
18	12/31/2008	Accumulated Depreciation	107100			181,311.46		
18	12/31/2008	Depreciation Expense	901000		355,797.43			
18	12/31/2008	Depreciation Expense	901000		3.68			
18	12/31/2008	Depreciation Expense	901000		181,311.46			
		Client provided entry (occured after M&P received TB)			618,310.00	618,310.00	6,235,736.16	(537,112.57)
19	12/31/2008	Water Supply System	106200			1,127,067.16		
19	12/31/2008	Construction in Progress	108100		1,127,067.16			
		Client provided entry (occured after M&P received TB)			1,127,067.16	1,127,067.16	6,235,736.16	0.00
20	12/31/2008	Structures & Machinery	106150		900,738.82			
20	12/31/2008	Structures & Machinery	106150		5,858.66			
20	12/31/2008	Water Supply System	106200		1,676,469.76			
20	12/31/2008	Water Supply System	106200		2,885,846.92			
20	12/31/2008	Pipelines - DM	106300		3,536,918.79			
20	12/31/2008	Pipelines - DM	106300		164,627.26			
20	12/31/2008	Pipelines - Alleman	106305		11,954.63			
20	12/31/2008	Pipelines - Alleman	106305		918.53			
20	12/31/2008	Pipelines - PC	106310		187,682.52			
20	12/31/2008	Pipelines - PC	106310		2,878.49			
20	12/31/2008	Pipelines - WH	106320		48,405.21			
20	12/31/2008	Pipelines - WH	106320		39.45			
20	12/31/2008	Pipelines - PH	106330		83,966.09			
20	12/31/2008	Pipelines - PH	106330		190.48			
20	12/31/2008	Meters - DM	106350		767,154.98			
20	12/31/2008	Meters - DM	106350		303,820.29			
20	12/31/2008	Meters - Alleman	106385		19,000.00			
20	12/31/2008	Meters - SEP	106390		39,870.00			

Des Moines Water Works

Appendix A

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
20	12/31/2008	Distribution Equipment	106450		37,400.00			
20	12/31/2008	Mobile Equipment	106500		17,612.54			
20	12/31/2008	Mobile Equipment	106500		406.24			
20	12/31/2008	Data Processing Equipment	106650		206,918.24			
20	12/31/2008	Data Processing Equipment	106650		239.98			
20	12/31/2008	Construction in Progress	108100			7,534,091.58		
20	12/31/2008	Construction in Progress	108100			3,364,826.30		
		Client provided entry (occured after M&P received TB)			10,898,917.88	10,898,917.88	6,235,736.16	0.00
22	12/31/2008	Accounts Receivable Water	102100	1520		158,707.80		
22	12/31/2008	Water Sales - DM	401100	1520	158,707.80			
		Client provided adjustment to write off a/r and revenue overbilled to Johnston due to a faulty meter			158,707.80	158,707.80	6,077,028.36	(158,707.80)
					0.00	0.00	6,077,028.36	0.00
25	12/31/2008	OPEB Liability	204850			1,324,347.00		
25	12/31/2008	OPEB Expense	504250		1,324,347.00			
		to record liability for other post employment benefits under GASB 45			1,324,347.00	1,324,347.00	4,752,681.36	(1,324,347.00)
					18,819,349.38	**18,819,349.38**	**4,752,681.36**	**(640,357.67)**