

**Metro Waste Authority  
Des Moines, Iowa**

**FINANCIAL REPORT**

**June 30, 2004**

## CONTENTS

	<u>Page</u>
<b>OFFICIALS</b>	3
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	4
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5-8
<b>FINANCIAL STATEMENTS</b>	
Balance sheets	9-10
Statements of revenues, expenses and changes in fund equity	11
Statements of cash flows	12-13
Notes to financial statements	14-23
<b>INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION</b>	24
<b>SUPPLEMENTARY INFORMATION, FINANCIAL</b>	
Combining statement of revenues and expenses, by department	25-26
Combining summary of operating expenses excluding depreciation and amortization, by department	27-28
Summary of historical operating information	29-30
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	31-32
<b>SCHEDULE OF FINDINGS</b>	33-34

**Metro Waste Authority  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Chris Coleman	Chairman	Des Moines
Jerry Sullivan	Vice Chairman	Windsor Heights
Stacey Warren	Member	Altoona
Gary Welch	Member	Ankeny
Bruce N. Cordes	Member	Bondurant
Paul Leighton	Member	Clive
Todd Major	Member	Elkhart
Ron Long	Member	Grimes
Russ Underwood	Member	Johnston
Jon Woods	Member	Mitchellville
Scott Lorenzen	Member	Norwalk
Joe Rivas	Member	Pleasant Hill
Mary Burton	Member	Polk City
Robert Brownell	Member	Polk County
Kevin Wentland	Member	Runnells
Don Brush	Member	Urbandale
Robert Parks	Member	West Des Moines
Thomas B. Hadden III	Secretary	
Planning Area Members		
Jim Peters	Member	Adel
Bill Bodensteiner	Member	Alleman
Ruth Randelman	Member	Carlisle
Ron Ekstrom	Member	Hartford
John Deaton	Member	Mingo
Lester H. Evans	Member	Prairie City
Donald Towers	Member	Sheldahl
Thomas B. Hadden III	Executive Director of Authority	
Ron Lacey	Chief Financial Officer	

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Metro Waste Authority  
Des Moines, Iowa

We have audited the accompanying balance sheets of Metro Waste Authority (a joint public body) as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of Metro Waste Authority's 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, Chapter 11 of the Code of Iowa, 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 Metro Waste Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2004 on our consideration of Metro Waste Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-8 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 27, 2004

# METRO WASTE AUTHORITY

## Management Discussion and Analysis

As management of the Metro Waste Authority (MWA), we offer readers of MWA's financial statements this narrative overview and analysis of the financial performance for the fiscal years ended June 30, 2004, and June 30, 2003. We encourage readers to consider this information with Metro Waste Authority's financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

Metro Waste Authority continues to provide for the environmentally safe disposal of solid waste for the Central Iowa area, and has exceeded its profit projections for two of the last three years. Here are some of the financial highlights from fiscal years 2004 and 2003:

- Operating revenues increased by 4.0% for 2004, and 9.1% for 2003. The increase for 2004 was due to increased recycling revenue and compost sales. The increase for 2003 was due to an increase in tons received at the Metro Park East Landfill.
- The large decrease in investment income for the year 2004 was due to a \$668,400 decrease in the market value of MWA's investments.
- The large decrease in non-operating revenues for the year 2003 was from a \$615,500 gain on the sale of 160 acres of land in Dallas County for the year 2002.
- Due to the strong financial performance over the last three years, Metro Waste Authority has continued to pay cash for all equipment purchases and capital improvements. Fixed asset additions totaled \$4.9 million for year 2004, and \$4.5 million for year 2003

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management discussion and analysis report, the independent auditor's report, and the basic financial statements of MWA. The financial statements also include notes that explain in more detail some of the information in the financial statements. Additional supplemental information is also in schedule form and begins after the notes to the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements report information of MWA using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term information about its activities. The Balance Sheet includes all of MWA's assets and liabilities and provides information about types and amounts of investments in resources (assets) and the obligations to MWA's creditors (liabilities). It also provides the basis for evaluating MWA's liquidity, financial flexibility, and overall financial health of the agency.

All of the current year and prior year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Fund Equity. These statements measure the success of MWA's operations over the past two years and can be used to determine whether the organization has covered all its costs through its tipping fees and other charges.

The final required financial statement is the Statements of Cash Flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting periods.

## FINANCIAL ANALYSIS OF MWA

Is MWA's financial position as a whole better off or worse off as a result of this year's activities? The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Fund Equity report information about the net assets of Metro Waste Authority and the changes in them. MWA's net assets (the difference between assets and liabilities) are one way to measure the organization's financial health or financial position. Over time, increases or decreases in MWA's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government regulations.

### NET ASSETS

To begin our analysis, a summary of MWA's Balance Sheet is presented in Table A-1

**Table A-1**  
**Condensed Balance Sheets**

	<b>FY 03/04</b>	<b>FY 02/03</b>	<b>Change</b>	<b>%</b>	<b>FY 01/02</b>	<b>Change</b>	<b>%</b>
Current and Other Assets	\$7,624,937	\$7,832,107	(\$207,170)	(2.6)%	\$7,953,273	(\$121,166)	(1.5)%
Restricted Assets	21,142,074	19,886,568	1,255,506	6.3%	17,643,182	2,243,386	12.7%
Capital Assets	25,159,006	23,176,076	1,982,930	8.6%	21,408,443	1,767,633	8.3%
<b>Total Assets</b>	<b>53,926,017</b>	<b>50,894,751</b>	<b>3,031,266</b>	<b>6.0%</b>	<b>47,004,898</b>	<b>3,889,853</b>	<b>8.3%</b>
Current Liabilities	3,918,940	3,615,677	303,263	8.4%	4,390,675	(774,998)	(17.7)%
Long-term Debt Outstanding	2,845,000	3,850,000	(1,005,000)	(26.1)%	4,133,131	(283,131)	(6.9)%
Closure and Post Closure Costs	17,443,120	16,000,000	1,443,120	9.0%	14,510,375	1,489,625	10.3%
<b>Total Liabilities</b>	<b>24,207,060</b>	<b>23,465,677</b>	<b>741,383</b>	<b>3.2%</b>	<b>23,034,181</b>	<b>431,496</b>	<b>1.9%</b>
Net Assets:							
Invested in Capital Assets net of Related Debt	21,309,004	18,341,076	2,967,928	16.2%	16,392,747	1,948,329	11.9%
Restricted by Board	2,447,520	3,663,042	(1,215,522)	(33.2)%	2,894,338	768,704	26.6%
Unrestricted	5,962,433	5,424,956	537,477	9.9%	4,683,632	741,324	15.8%
<b>Total Net Assets</b>	<b>\$29,718,957</b>	<b>\$27,429,074</b>	<b>\$2,289,883</b>	<b>8.3%</b>	<b>\$23,970,717</b>	<b>\$3,458,357</b>	<b>14.4%</b>

As can be seen from the table above, net assets increased \$2.3 million in 2004 and \$3.5 million in 2003. The increase in net assets for 2004 was due to the \$1.3 million increase in Restricted Assets and a \$2.0 million increase in Capital Assets. The increase in net assets for 2003 was due to the \$2.2 million increase in Restricted Assets and a \$1.7 million increase in Capital Assets. Restricted Assets are cash and investments that have been designated by MWA's Board of Directors for closure and post closure care costs, and for the purchase of capital assets. Federal and State regulations require Metro Waste Authority to complete a closure/post closure plan and to provide funding necessary for full closure and post closure, including the proper monitoring and care of the landfill after closure. Investments totaling \$17.4 million in 2004 and \$16 million in 2003 have been restricted for this purpose. For more detailed information on the restriction of these funds, see note 8 of the financial statements.

**Table A-2  
Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets**

	<b>FY 03/04</b>	<b>FY 02/03</b>	<b>Change</b>	<b>% Change</b>	<b>FY 01/02</b>	<b>Change</b>	<b>% Change</b>
Operating Revenues	\$17,969,015	\$17,286,179	\$682,836	4.0%	\$15,847,566	\$1,438,613	9.1%
Investment Income	237,312	1,021,380	(784,068)	(76.8)%	1,167,396	(146,016)	(12.5)%
Nonoperating Revenues	38,771	69,294	(30,523)	(44.0)%	901,213	(831,919)	(92.3)%
Total Revenues	18,245,098	18,376,853	(131,755)	(0.7)%	17,916,175	460,678	2.6%
Operating Expense	12,998,175	12,117,783	880,392	7.3%	11,464,913	652,870	5.7%
Depreciation	2,839,250	2,592,016	247,234	9.5%	2,384,797	207,219	8.7%
Nonoperating Expense	117,790	208,697	(90,907)	(43.6)%	275,165	(66,468)	(24.2)%
Total Expenses	15,955,215	14,918,496	\$1,036,719	6.9%	14,124,875	\$793,621	5.6%
Change in Net Assets	2,289,883	3,458,357			3,791,300		
Beginning Net Assets	27,429,074	23,970,717			20,179,417		
Ending Net Assets	<u>\$29,718,957</u>	<u>\$27,429,074</u>			<u>\$23,970,717</u>		

While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Fund Equity provides answers as to the nature and source of these changes. Table A-2 shows operating revenues increased by \$.7 million in 2004 and \$1.4 million in 2003. The main reason for these increases was a \$625,000 increase in recycling revenue and compost sales for 2004, and a substantial increase in tons received at the Metro Park East Landfill for 2003. Operating expenses increased by \$.9 million in 2004. The main reasons for this increase are an increase in leachate processing expense and an increase in engineering service expenses related to planning for landfill development. As was mentioned in the financial highlights, the large decrease in non-operating revenues for 2003 was due to the sale of land in Dallas County during 2002.

## **CAPITAL ASSETS**

**Table A-3  
Capital Assets**

	<b>FY 03/04</b>	<b>FY 02/03</b>	<b>Change</b>	<b>% Change</b>	<b>FY 01/02</b>	<b>Change</b>	<b>% Change</b>
Land & Land Improvements	\$12,199,362	\$11,230,596	\$968,766	8.6%	\$11,251,088	(\$20,492)	(0.2)%
Buildings & Building Improvements	10,759,445	10,748,389	11,056	0.1%	8,533,823	2,214,566	26.0%
Landfill Cell Development	5,933,143	4,364,258	1,568,885	35.9%	3,462,785	901,473	26.0%
Wetlands Treatment Facility	3,352,294	3,352,294	0	0.0%	3,352,294	0	0.0%
Equipment	10,442,998	9,356,581	1,086,417	11.6%	9,329,441	27,140	0.3%
Sub-total	42,687,242	39,052,118	3,635,124	9.3%	35,929,431	3,122,687	8.7%
Less: Accumulated depreciation	17,528,236	15,876,042	1,652,194	10.4%	14,520,988	1,355,054	9.3%
Net Property and Equipment	<u>\$25,159,006</u>	<u>\$23,176,076</u>	<u>\$1,982,930</u>	<u>8.6%</u>	<u>\$21,408,443</u>	<u>\$1,767,633</u>	<u>8.3%</u>

The major increases in capital assets are due to two construction projects and the purchase of farm land. One of the projects was the construction of a new Sub Title D disposal cell at the Metro Park East landfill. A total of \$1.6 million was spent in 2004, and \$1 million in 2003. The other construction project was the completion in 2003 of a new transfer station at the Delaware Avenue site, at a cost of \$3.1 million. In 2004 additional farm land was purchased adjacent to the landfill at a cost of \$744,000.

## **DEBT ADMINISTRATION**

On April 1, 2003, Metro Waste Authority issued Solid Waste Revenue Notes for \$5 million with interest rates ranging from 1.85% to 3.30%. Interest and principal is due semiannually each year through June 1, 2008. The proceeds from these notes were used to pay off Solid Waste Revenue Notes issued in 1995, which had a rate of 5.0%. For more information on MWA's long-term debt, see note 6 of the financial statements.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present users with a general overview of Metro Waste Authority's finances and to demonstrate the agency's accountability for the funds generated. If you have questions about the report or need additional financial information, please contact the Finance Department, Metro Waste Authority, 300 East Locust Street, Suite 100, Des Moines, IA 50309-1864.

**Metro Waste Authority  
BALANCE SHEETS**

ASSETS	June 30	
	2004	2003
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,053,731	\$ 2,742,450
Investments	2,082,861	1,766,571
Disposal fees receivable, less allowance for uncollectible accounts 2004 and 2003 \$100,000	1,141,575	1,090,940
Prepaid expenses, accrued interest and other assets	773,576	716,958
Inventories	250,405	192,399
Total current assets	6,302,148	6,509,318
<b>ASSETS WHOSE USE IS LIMITED</b>		
Cash and cash equivalents	2,447,520	3,791,438
Investments	<u>18,694,554</u>	<u>16,095,130</u>
Total assets whose use is limited	<u>21,142,074</u>	<u>19,886,568</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land and building—Metro Park East	26,533,968	24,003,057
Land—Grimes	510,000	510,000
Land and building—Transfer Station	3,416,732	3,404,375
Leasehold improvements—Metro Compost Center	169,788	169,788
Land and building—Regional Collection Center	1,028,955	1,023,516
Automobiles, trucks and other equipment	<u>11,027,799</u>	<u>9,941,382</u>
	42,687,242	39,052,118
Less accumulated depreciation and amortization	<u>17,528,236</u>	<u>15,876,042</u>
Total property and equipment	<u>25,159,006</u>	<u>23,176,076</u>
<b>OTHER ASSET</b>		
Note receivable	<u>1,322,789</u>	<u>1,322,789</u>
Total assets	<u>\$53,926,017</u>	<u>\$50,894,751</u>

	<b>June 30</b>	
	<b>2004</b>	<b>2003</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 1,005,000	\$ 985,000
Construction contracts payable	297,490	382,804
Trade accounts payable	1,019,784	939,589
Disposal fee rebates payable	589,961	341,190
Landfill tax payable	225,017	223,526
Accrued payroll and employee benefits	653,274	581,860
Early departure benefits payable	52,311	92,552
Other accrued expenses	76,103	69,156
Total current liabilities	<u>3,918,940</u>	<u>3,615,677</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	2,845,000	3,850,000
Accrued landfill closure and postclosure care costs	<u>17,443,120</u>	<u>16,000,000</u>
Total long-term liabilities	<u>20,288,120</u>	<u>19,850,000</u>
Total liabilities	<u>24,207,060</u>	<u>23,465,677</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	21,309,004	18,341,076
Unrestricted	8,289,953	9,087,998
Restricted for transfer station closure	120,000	-
Total fund equity	<u>29,718,957</u>	<u>27,429,074</u>
Total liabilities and fund equity	<u>\$53,926,017</u>	<u>\$50,894,751</u>

See Notes to Financial Statements.

**Metro Waste Authority**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**

	<b>Year ended June 30</b>	
	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>		
Landfill, transfer, compost, RCC and curbside recycling	\$17,969,015	\$17,286,179
<b>OPERATING EXPENSES</b>		
Operating expenses (excluding depreciation and amortization)	11,555,055	10,628,158
Provision for landfill closure and postclosure care costs	<u>1,443,120</u>	<u>1,489,625</u>
Operating income before depreciation and amortization	<u>4,970,840</u>	<u>5,168,396</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Depreciation	2,066,298	2,110,050
Amortization	<u>772,952</u>	<u>481,966</u>
	<u>2,839,250</u>	<u>2,592,016</u>
Operating income	<u>2,131,590</u>	<u>2,576,380</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Farm income, net of related expenses	38,771	48,789
Investment income	237,312	1,021,380
Gain on sale of land and equipment	-	9,072
Interest expense	(115,820)	(208,697)
Other	<u>(1,970)</u>	<u>11,433</u>
Total nonoperating revenues (expenses)	<u>158,293</u>	<u>881,977</u>
Net income	<u>2,289,883</u>	<u>3,458,357</u>
<b>FUND EQUITY</b> , beginning of year	<u>27,429,074</u>	<u>23,970,717</u>
<b>FUND EQUITY</b> , end of year	<u>\$29,718,957</u>	<u>\$27,429,074</u>

**Metro Waste Authority  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$17,907,380	\$17,411,250
Cash paid to suppliers for goods and services	(8,257,458)	(7,451,080)
Cash paid to employees for services	(2,856,347)	(2,640,310)
Cash paid for host fees	(185,490)	(166,897)
Grants received	11,000	114,935
Community clean-up grants paid	(6,280)	(56,106)
Net cash provided by operating activities	6,612,805	7,211,792
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable	-	5,000,000
Principal payments on notes payable	(985,000)	(5,180,698)
Interest paid on notes payable	(117,400)	(198,676)
Purchase of fixed assets	(4,809,934)	(5,570,766)
Proceeds from sale of land and equipment	-	104,045
Net cash (used in) capital and related financing activities	(5,912,334)	(5,846,095)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	6,328,529	5,493,231
Purchases of investments	(9,912,637)	(6,838,990)
Interest received	814,199	813,827
Net cash received from farming and other activities	36,801	60,222
Net cash (used in) investing activities	(2,733,108)	(471,710)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,032,637)	893,987
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	6,533,888	5,639,901
Ending	\$ 4,501,251	\$ 6,533,888

See Notes to Financial Statements.

**Metro Waste Authority**  
**STATEMENTS OF CASH FLOWS (continued)**

	<b>Year ended June 30</b>	
	<b>2004</b>	<b>2003</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$2,131,590	\$2,576,380
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,839,250	2,592,016
Closure and postclosure costs	1,443,120	1,489,625
Changes in assets and liabilities		
(Increase) decrease in disposal fees receivable	(50,635)	243,551
(Increase) decrease in prepaid expenses and other assets, net of investing activities	34,889	(91,065)
(Increase) decrease in inventories	(58,006)	172,593
Increase in payables, net of amounts for fixed assets	241,424	140,486
Increase in accrued payroll and benefits payable	31,173	91,751
(Decrease) in deferred revenue	<u>          —</u>	<u>      (3,545)</u>
Net cash provided by operating activities	<u>\$6,612,805</u>	<u>\$7,211,792</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Per balance sheet		
Current assets, cash and cash equivalents	\$2,053,731	\$2,742,450
Assets whose use is limited, cash and cash equivalents	<u>2,447,520</u>	<u>3,791,438</u>
Total per statement of cash flows	<u>\$4,501,251</u>	<u>\$6,533,888</u>

See Notes to Financial Statements.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

Metro Waste Authority (the Authority) was formed in 1969 pursuant to the provisions of Chapter 28E of the Code of Iowa by a majority of the local governmental jurisdictions comprising the Des Moines, Iowa metropolitan area. The purpose of the Authority is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the metropolitan area. Currently, this purpose is being met by operating a sanitary landfill, transfer station, regional collection center and compost facility, as well as managing volume reduction and recycling programs. The Authority also provides disposal services to private contractors.

The Authority is comprised of one representative from each of the sixteen member cities and one representative from Polk County. The member cities are: Altoona, Ankeny, Bondurant, Clive, Des Moines, Elkhart, Grimes, Johnston, Mitchellville, Norwalk, Pleasant Hill, Polk City, Runnells, Urbandale, West Des Moines, and Windsor Heights. Each member is entitled to one vote for each 50,000 population or fraction thereof, residing in the governmental jurisdiction, as determined by the most recent general Federal Census.

**Reporting Entity**

For financial reporting purposes, the Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Authority. The Authority has no component units which meet the Governmental Accounting Standards Board criteria.

**Measurement Focus and Basis of Accounting**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority has no government or fiduciary funds. The Authority's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in fund equity is appropriate for capital maintenance.

**Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

The Authority considers all cash and short-term investments that are highly liquid and whose use is not limited to be cash equivalents.

**Inventories**

Inventories, which consist of yard bags and stickers, are stated at cost, based on the first-in, first-out method.

**Property and Equipment**

Property and equipment are accounted for at historical cost or estimated historical cost where historical cost is not available. Depreciation and amortization of all exhaustible fixed assets is charged as an expense against operations. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation and amortization of assets disposed of are deleted, with any gain or loss recorded in current operations.

**Disposal Fee Rebates Payable**

The Authority has entered into waste delivery contracts with certain haulers which provide that eligible haulers will be rebated specified rates per ton for waste delivered directly to the landfill, after delivering a specified minimum volume in a year. Disposal fee rebates payable represent amounts due to eligible haulers under these contracts.

**Compensated Absences**

Authority employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The cost of vacation and sick leave accumulations are recorded as liabilities and expenses. The compensated absences liability, included in accrued payroll and employee benefits, has been computed based on rates of pay in effect at June 30, 2004 and 2003, respectively.

**Landfill Closure and Postclosure Care Costs**

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 8).

**Investments and Investment Income**

The Authority's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
Debt securities U.S. Treasury securities and U.S. Government Agency securities	
Maturity of one year or less when purchased	Amortized cost
Maturity of more than one year when purchased	Fair value based on quoted market prices

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments and Investment Income (continued)**

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income from investments is reported as nonoperating revenue. Investment income includes interest income and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments.

**Fund Equity**

Fund equity is presented in the following three components:

**Invested in capital assets, net of related debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balance of the note payable obligation that is attributable to the acquisition, construction, or improvement of those assets.

**Restricted fund equity**

This component of fund equity consists of constraints placed on fund equity use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority currently has reported restricted fund equity related to transfer station closure investments.

**Unrestricted fund equity**

Unrestricted fund equity has no externally imposed restrictions on use.

**Accounting Estimates and Assumptions**

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

**Reclassifications**

Certain reclassifications have been made in the June 30, 2003 financial statements to conform to the June 30, 2004 presentation. These reclassifications had no impact on the total fund equity or net income.

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND INVESTMENTS (continued)**

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end. At June 30, 2004, the Authority's investments in U.S. Government securities are in a category characterized as investments that are collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name.

The Authority's investments at June 30, 2004 are as follows:

	<b>Fair value</b>
Nonnegotiable certificates of deposit	\$ 2,231,404
Money market funds	731,044
U.S. Treasury and Government agency securities	17,814,967
 Total investments	 \$20,777,415

**NOTE 3 ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited at June 30, 2004 and 2003 were limited for the following purposes:

	<b>June 30</b>	
	<b>2004</b>	<b>2003</b>
Legally restricted for closure and postclosure care costs	\$17,443,120	\$16,000,000
Legally restricted for transfer station closure	120,000	-
Legally restricted under escrow agreement	225,017	223,526
Designated by Board for capital projects	2,447,520	3,663,042
Designated by Board for environmental contingencies	906,417	-
 Total assets whose use is limited	 \$21,142,074	 \$19,886,568

Assets designated by the Board of Directors for capital projects and environmental contingencies represent assets set aside for the purpose of funding future fixed asset purchases and any potential environmental liabilities, respectively, of the Authority. The Board retains control of these assets and may, at its discretion, subsequently use the assets for other purposes.

**NOTE 4 RELATED PARTY TRANSACTIONS**

The Authority is a 23.3% limited partner in 300 East Locust Limited Partnership, which was formed to develop and operate an office building in Des Moines, Iowa. The Authority has an installment note receivable from the Limited Partnership in the amount of \$1,322,789 at June 30, 2004 and 2003. The note bears interest at 6.25% and is secured by a mortgage on the property. Repayment of the note will begin using a 20-year amortization schedule when cash flow is available from the operation of the facility. The Authority also rents office space under a lease agreement with the Limited Partnership. (See Note 7).

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 RELATED PARTY TRANSACTIONS (continued)**

At June 30, 2004, the accompanying balance sheet includes \$295,588 of accrued interest from the Limited Partnership. Interest income from the Limited Partnership for the years ended June 30, 2004 and 2003 amounted to \$82,901 and \$82,674, respectively. Rent expense to the Limited Partnership was \$173,499 and \$177,399 for the years ended June 30, 2004 and 2003, respectively.

**NOTE 5 PROPERTY AND EQUIPMENT**

During the year ended June 30, 2004, fixed asset additions and disposals by type were as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2004</u>
Metro Park East					
Land	\$ 5,274,383	\$ 743,470	\$ —	\$ —	\$ 6,017,853
Building	6,022,802	—	—	—	6,022,802
Landfill improvements	4,989,320	218,556	—	—	5,207,876
Landfill cell development	4,364,258	1,568,885	—	—	5,933,143
Wetlands treatment facility	<u>3,352,294</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,352,294</u>
	<u>24,003,057</u>	<u>2,530,911</u>	<u>—</u>	<u>—</u>	<u>26,533,968</u>
Land—Grimes	<u>510,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>510,000</u>
Transfer Station					
Land	89,221	—	—	—	89,221
Land improvements	130,384	—	—	—	130,384
Building	3,149,296	12,357	—	—	3,161,653
Building improvements	<u>35,474</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,474</u>
	<u>3,404,375</u>	<u>12,357</u>	<u>—</u>	<u>—</u>	<u>3,416,732</u>
Metro Compost Center					
Leasehold improvements	<u>169,788</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>169,788</u>
Regional Collection Center					
Land	67,500	—	—	—	67,500
Building	956,016	—	(1,301)	—	954,715
Construction in progress	<u>—</u>	<u>6,740</u>	<u>—</u>	<u>—</u>	<u>6,740</u>
	<u>1,023,516</u>	<u>6,740</u>	<u>(1,301)</u>	<u>—</u>	<u>1,028,955</u>
Automobiles, trucks and other equipment					
Administrative	603,432	31,497	(102,387)	—	532,542
Disposal	6,035,952	1,927,109	(957,304)	(40,166)	6,965,591
Transfer Station	1,032,216	193,679	(126,323)	7,119	1,106,691
Regional Collection Center	182,695	33,808	(49,462)	—	167,041
Compost Facility	1,502,286	135,800	—	33,047	1,671,133
300 East Locust—leasehold improvements	<u>584,801</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>584,801</u>
	<u>9,941,382</u>	<u>2,321,893</u>	<u>(1,235,476)</u>	<u>—</u>	<u>11,027,799</u>
Totals	39,052,118	4,871,901	(1,236,777)	—	42,687,242
Less accumulated depreciation and amortization	<u>(15,876,042)</u>	<u>(2,839,250)</u>	<u>1,187,056</u>	<u>—</u>	<u>(17,528,236)</u>
Net property and equipment	<u>\$23,176,076</u>	<u>\$2,032,651</u>	<u>\$ (49,721)</u>	<u>\$ —</u>	<u>\$25,159,006</u>

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 PROPERTY AND EQUIPMENT (continued)**

During the year ended June 30, 2003, fixed asset additions and disposals by type were as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2003</u>
Metro Park East					
Land	\$ 5,366,783	\$ —	\$ (92,400)	\$ —	\$ 5,274,383
Building	6,005,402	17,400	—	—	6,022,802
Landfill improvements	4,989,320	—	—	—	4,989,320
Landfill cell development	3,462,785	901,473	—	—	4,364,258
Wetlands treatment facility	3,352,294	—	—	—	3,352,294
	<u>23,176,584</u>	<u>918,873</u>	<u>(92,400)</u>	<u>—</u>	<u>24,003,057</u>
Grimes—Land	<u>510,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>510,000</u>
Transfer Station					
Land	89,221	—	—	—	89,221
Land improvements	58,476	71,908	—	—	130,384
Building	24,888	—	—	3,124,408	3,149,296
Building improvements	26,343	9,131	—	—	35,474
Construction in progress	1,142,997	1,981,411	—	(3,124,408)	—
	<u>1,341,925</u>	<u>2,062,450</u>	<u>—</u>	<u>—</u>	<u>3,404,375</u>
Metro Compost Center					
Leasehold improvements	<u>169,788</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>169,788</u>
Regional Collection Center					
Land	67,500	—	—	—	67,500
Building	897,794	58,222	—	—	956,016
	<u>965,294</u>	<u>58,222</u>	<u>—</u>	<u>—</u>	<u>1,023,516</u>
Automobiles, trucks and other equipment					
Administrative	753,625	105,464	(233,050)	(22,607)	603,432
Disposal	5,974,778	622,578	(561,404)	—	6,035,952
Transfer Station	969,737	509,952	(447,473)	—	1,032,216
Regional Collection Center	140,679	37,259	(17,850)	22,607	182,695
Compost Facility	1,490,622	11,664	—	—	1,502,286
300 East Locust—lease hold improvements	—	—	—	584,801	584,801
300 East Locust—construction in process	436,399	148,402	—	(584,801)	—
	<u>9,765,840</u>	<u>1,435,318</u>	<u>(1,259,777)</u>	<u>—</u>	<u>9,941,382</u>
Totals	35,929,431	4,474,864	(1,352,177)	—	39,052,118
Less accumulated depreciation and amortization	<u>(14,520,988)</u>	<u>(2,592,016)</u>	<u>1,236,962</u>	<u>—</u>	<u>(15,876,042)</u>
Net property and equipment	<u>\$21,408,443</u>	<u>\$ 1,882,848</u>	<u>\$ (115,215)</u>	<u>\$ —</u>	<u>\$23,176,076</u>

Land with a carrying value of approximately \$5,981,000 and \$5,237,000 was not used in the landfill operations as of June 30, 2004 and 2003, respectively. Of this amount, approximately \$5,603,000 and \$4,859,000 was leased or farmed as farmland as of June 30, 2004 and 2003, respectively.

Construction in progress at June 30, 2004 consists of a storage building, with no significant commitments. At June 30, 2004, a commitment of approximately \$680,000 remains on the Authority's master development plan for the landfill.

**Metro Waste Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 NOTES PAYABLE**

Notes payable at June 30, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Solid Waste Disposal Revenue Note, Series 2003	\$3,850,000	\$4,835,000
Less current portion	<u>1,005,000</u>	<u>985,000</u>
Long-term debt	<u>\$2,845,000</u>	<u>\$3,850,000</u>

The Solid Waste Disposal Revenue Note, Series 2003 was issued to a bank on April 1, 2003, for the purpose of refunding the outstanding Series 1995 note payable. The 2003 Note is payable in semiannual principal installments due on June 1 and December 1 each year through June 1, 2008. Interest is also payable semiannually each June 1 and December 1, with interest rates ranging from 2.10% to 3.30%. The 2003 Note is secured solely by future net revenues of the Authority.

Principal and interest maturities of the note payable at June 30, 2004 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$1,005,000	\$ 94,187	\$1,099,187
2006	1,025,000	71,692	1,096,692
2007	1,045,000	45,051	1,090,051
2008	<u>775,000</u>	<u>14,453</u>	<u>789,453</u>
Totals	<u>\$3,850,000</u>	<u>\$ 225,383</u>	<u>\$4,075,383</u>

Long-term debt activity for the years ended June 30, 2004 and 2003 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Solid Waste Disposal Revenue Notes					
Year ended June 30, 2003	<u>\$5,015,698</u>	<u>\$5,000,000</u>	<u>\$5,180,698</u>	<u>\$4,835,000</u>	<u>\$ 985,000</u>
Year ended June 30, 2004	<u>\$4,835,000</u>	<u>\$ —</u>	<u>\$ 985,000</u>	<u>\$3,850,000</u>	<u>\$1,005,000</u>

**NOTE 7 RENT EXPENSE AND LEASE COMMITMENTS**

The Authority has entered into an agreement with the City of Des Moines to lease and operate the City's yard waste processing site. The lease, which extends through March 31, 2007, can be cancelled by either party by giving 60 days notice. Monthly rent payments are \$4,167.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 RENT EXPENSE AND LEASE COMMITMENTS (continued)**

In addition, the Authority has entered into an agreement with 300 East Locust Limited Partnership to lease office space at 300 East Locust, Des Moines, Iowa. The term of the lease is for a ten year period ending July 2012. The lease also provides for two five year renewal options. The base rent is \$140,000 per year. On the sixth anniversary date of the commencement of the lease, and on each anniversary date thereafter, the base rent shall be adjusted by the Consumer Price Index. In addition, an additional rent amount is to be paid each year based on the Authority's share of direct expenses in connection with the operation and maintenance of the building. Future minimum lease payments are as follows:

Year ending June 30	
2005	\$ 140,000
2006	140,000
2007	140,000
2008	140,000
2009	140,000
Thereafter	<u>431,667</u>
Total	<u>\$1,131,667</u>

Rent expense under these leases totaled \$216,030 and \$238,740 for 2004 and 2003, respectively.

**NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS**

To comply with federal and state regulations, the Authority is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The Authority's estimated closure and postclosure care liabilities are as follows as of June 30, 2004 and 2003:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Postclosure care	\$ 5,500,000	\$ 5,500,000
Landfill closure	<u>11,943,120</u>	<u>10,500,000</u>
Totals	<u>\$17,443,120</u>	<u>\$16,000,000</u>

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS (continued)**

The total costs for Metro Waste Authority have been estimated at approximately \$19,900,000 as of June 30, 2004, and the portion of the liability that has been recognized is \$17,443,120. This liability represents the cumulative amount reported to date based on the use of approximately 89 percent of the capacity of the landfill less payments for cell closure with a remaining life of three years. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2004 and 2003. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the balance sheet and total \$17,443,120 as of June 30, 2004.

**NOTE 9 SOLID WASTE TONNAGE FEES RETAINED**

The Authority has established an account for restricting and using those portions of solid waste tonnage fees retained by the Authority in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Ninety-five cents of the retained funds shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Authority's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities. As of June 30, 2004 and 2003, there were no unspent amounts retained by the Authority.

**NOTE 10 DEFINED BENEFIT PENSION PLAN**

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Authority is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$167,035, \$157,382 and \$143,338, respectively, equal to the required contributions for each year.

**NOTE 11 RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Authority assumes liability for any deductibles and claims in excess of coverage limitations.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 CONTINGENCIES**

The Authority is subject to constantly changing laws and regulations at both the federal and state levels. These regulations and related enforcement activities reflect a continuing public and governmental concern in providing for environmentally sound solid and chemical waste collection, transportation, storage, treatment and disposal practices. The impact of present and developing laws, regulations and enforcement activities upon the Authority's future capital and operating costs cannot reasonably be estimated, but management believes that such costs may be significant. In addition, there are a number of inherent risks and uncertainties in operating landfill, transfer station, regional collection and composting sites, with related environmental impact challenges possible. However, the future effect, if any, on the Authority cannot be foreseen at the present time.

**NOTE 13 CONCENTRATION OF CREDIT RISK**

At June 30, 2004, receivables from three customers totaled approximately \$677,000, or 59% of total net receivables.

**INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION**

The Board of Directors  
Metro Waste Authority  
Des Moines, Iowa

Our report on our audits of the basic financial statements of Metro Waste Authority for June 30, 2004 and 2003 and the years then ended appears on page 4. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the years ended June 30, 2000 through June 30, 2004, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the years ended June 30, 1995 through June 30, 1999 was audited by other auditors whose report, dated August 31, 1999, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 27, 2004

**Metro Waste Authority**  
**COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT**  
**Year ended June 30, 2004**

	<u><b>Combined</b></u>
<b>REVENUES</b>	
Tipping fees and service fees	<u>\$17,969,015</u>
<b>EXPENSES</b>	
Operating expenses (excluding depreciation and amortization)	11,555,055
Provision for landfill closure and postclosure care costs	<u>1,443,120</u>
Total operating expenses	<u>12,998,175</u>
Operating income (loss) before depreciation and amortization	<u>4,970,840</u>
<b>DEPRECIATION AND AMORTIZATION</b>	
Depreciation	2,066,298
Amortization	<u>772,952</u>
Operating income (loss)	<u>2,839,250</u> <u>2,131,590</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Farm income, net of related expenses	38,771
Investment income	237,312
Interest expense	(115,820)
Other	<u>(1,970)</u>
Total nonoperating revenues (expenses)	<u>158,293</u>
Net income (loss)	<u>\$ 2,289,883</u>

\*Included in administration is activity of the central office, grant programs, engineering studies and other miscellaneous Authority activity.

<u>Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Administration*</u>
\$ <u>9,933,541</u>	\$ <u>3,744,861</u>	\$ <u>1,921,468</u>	\$ <u>740,299</u>	\$ <u>1,620,446</u>	\$ <u>8,400</u>
4,092,983	787,761	1,741,643	792,784	2,101,408	2,038,476
<u>1,443,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,536,103</u>	<u>787,761</u>	<u>1,741,643</u>	<u>792,784</u>	<u>2,101,408</u>	<u>2,038,476</u>
<u>4,397,438</u>	<u>2,957,100</u>	<u>179,825</u>	<u>(52,485)</u>	<u>(480,962)</u>	<u>(2,030,076)</u>
1,416,869	277,006	203,662	64,923	-	103,838
<u>772,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,189,821</u>	<u>277,006</u>	<u>203,662</u>	<u>64,923</u>	<u>-</u>	<u>103,838</u>
<u>2,207,617</u>	<u>2,680,094</u>	<u>(23,837)</u>	<u>(117,408)</u>	<u>(480,962)</u>	<u>(2,133,914)</u>
38,771	-	-	-	-	-
-	-	-	-	-	237,312
(115,820)	-	-	-	-	-
<u>1,297</u>	<u>-</u>	<u>-</u>	<u>3,736</u>	<u>-</u>	<u>(7,003)</u>
<u>(75,752)</u>	<u>-</u>	<u>-</u>	<u>3,736</u>	<u>-</u>	<u>230,309</u>
\$ <u>2,131,865</u>	\$ <u>2,680,094</u>	\$ <u>(23,837)</u>	\$ <u>(113,672)</u>	\$ <u>(480,962)</u>	\$ <u>(1,903,605)</u>

**Metro Waste Authority**  
**COMBINING SUMMARY OF OPERATING EXPENSES EXCLUDING**  
**DEPRECIATION AND AMORTIZATION, BY DEPARTMENT**  
**Year ended June 30, 2004**

	<u><b>Combined</b></u>
Salaries	\$ 2,887,520
Payroll taxes	386,506
Benefits	741,908
Outside labor	107,134
Site maintenance	517,622
Recycling	1,580,313
Vehicle repairs and maintenance	256,625
Vehicle fuel	369,451
Computer maintenance	43,360
Minor equipment	60,606
Professional services	431,488
Engineering services	502,742
Graphics design/contract printing	88,582
Contract disposal	423,637
Host fee	185,490
Telephone and utilities	134,494
Building and office supplies	166,177
Advertising	277,361
Travel expense	76,535
Postage	14,182
Miscellaneous	144,039
Insurance	176,099
Leachate processing	364,545
Investment expense	32,066
Machinery and equipment rental	1,689
Office and facilities rent	216,030
Yard bag	1,205,747
Community cleanup	118,490
Environmental Management System	<u>44,617</u>
Total operating expense, excluding depreciation and amortization	<u><b>\$11,555,055</b></u>

\*Included in administration is activity of the central office, grant programs, engineering studies and all other miscellaneous Authority activity.

<u>Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Administration*</u>
\$ 1,352,388	\$ 350,159	\$ 142,176	\$ 327,853	\$ 120,718	\$ 594,226
180,878	45,232	15,173	45,311	18,314	81,598
380,035	102,222	24,053	77,910	22,609	135,079
-	-	107,134	-	-	-
433,339	54,264	8,169	15,491	-	6,359
-	-	-	-	1,580,313	-
121,777	63,058	71,126	664	-	-
276,808	56,821	30,716	4,272	-	834
10,673	5,144	450	1,431	-	25,662
23,008	2,910	8,509	8,959	-	17,220
4,014	-	8,048	5,200	13,874	400,352
478,048	19,494	-	600	-	4,600
11,416	-	4,943	7,298	7,641	57,284
3,272	-	-	155,895	264,470	-
129,977	31,642	3,810	20,061	-	-
61,222	18,821	6,035	20,557	-	27,859
82,707	6,635	2,930	32,532	516	40,857
25,693	1,391	46,503	27,350	63,728	112,696
32,498	-	965	5,350	5,696	32,026
926	-	-	264	-	12,992
32,008	1,147	551	1,496	1,747	107,090
86,286	28,597	12,074	34,290	1,782	13,070
364,545	-	-	-	-	-
-	-	-	-	-	32,066
1,465	224	-	-	-	-
-	-	42,531	-	-	173,499
-	-	1,205,747	-	-	-
-	-	-	-	-	118,490
-	-	-	-	-	44,617
<u>\$ 4,092,983</u>	<u>\$ 787,761</u>	<u>\$ 1,741,643</u>	<u>\$ 792,784</u>	<u>\$2,101,408</u>	<u>\$2,038,476</u>

**Metro Waste Authority**  
**SUMMARY OF HISTORICAL OPERATING INFORMATION**

	<u>Year ended</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>	\$17,969,015	\$17,286,179	\$15,847,566
<b>EXPENSES</b>			
Operating expenses (excluding depreciation and amortization)	11,555,055	10,628,158	9,675,573
Provision for landfill closure and postclosure care costs	<u>1,443,120</u>	<u>1,489,625</u>	<u>1,789,340</u>
Operating income before depreciation and amortization	<u>4,970,840</u>	<u>5,168,396</u>	<u>4,382,653</u>
<b>DEPRECIATION AND AMORTIZATION</b>			
Depreciation	2,066,298	2,110,050	1,940,175
Amortization	<u>772,952</u>	<u>481,966</u>	<u>444,622</u>
	<u>2,839,250</u>	<u>2,592,016</u>	<u>2,384,797</u>
Operating income (loss)	<u>2,131,590</u>	<u>2,576,380</u>	<u>1,997,856</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Farm income (loss), net of related expenses	38,771	48,789	114,572
Investment income	237,312	1,021,380	1,167,396
Gain on sale of land and equipment	-	9,072	767,784
Interest expense	(115,820)	(208,697)	(275,165)
DNR disposal subsidy	-	-	-
Other	<u>(1,970)</u>	<u>11,433</u>	<u>18,857</u>
Total nonoperating revenues (expenses)	<u>158,293</u>	<u>881,977</u>	<u>1,793,444</u>
Net income (loss)	<u>\$ 2,289,883</u>	<u>\$ 3,458,357</u>	<u>\$ 3,791,300</u>
Percent increase (decrease) from prior period			
Revenues	3.95%	9.08%	13.91%
Operating expenses excluding depreciation and amortization	8.72%	9.85%	9.73%
Provision for depreciation and amortization	9.54%	8.69%	7.38%
Tonnage delivered to landfill (unaudited)	513,566	518,392	471,731
Compost tonnage (unaudited)	19,209	20,889	17,240

\* During 1995, the Authority changed its method of accounting for landfill closure and postclosure care costs for compliance with GASB Statement No. 18 by retroactive adjustment to beginning retained earnings.

\*\* During 1998, the Authority changed its method of accounting for certain investments for compliance with GASB Statement No. 31 by retroactive adjustment to beginning retained earnings and restating 1997 operating results.

**June 30**

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998**</u>	<u>1997**</u>	<u>1996</u>	<u>1995*</u>
\$13,911,769	\$12,945,110	\$12,873,929	\$10,189,137	\$10,037,480	\$10,334,231	\$9,295,001
8,817,890	7,720,885	8,160,955	7,614,717	7,788,337	8,116,675	6,650,162
<u>1,762,916</u>	<u>1,735,295</u>	<u>1,693,882</u>	<u>775,478</u>	<u>1,674,871</u>	<u>629,608</u>	<u>586,193</u>
<u>3,330,963</u>	<u>3,488,930</u>	<u>3,019,092</u>	<u>1,798,942</u>	<u>574,272</u>	<u>1,587,948</u>	<u>2,058,646</u>
1,795,109	1,609,901	1,586,283	1,941,037	1,244,687	1,501,884	1,467,580
<u>425,825</u>	<u>426,300</u>	<u>458,691</u>	<u>397,777</u>	<u>282,154</u>	<u>10,210</u>	<u>10,210</u>
<u>2,220,934</u>	<u>2,036,201</u>	<u>2,044,974</u>	<u>2,338,814</u>	<u>1,526,841</u>	<u>1,512,094</u>	<u>1,477,790</u>
<u>1,110,029</u>	<u>1,452,729</u>	<u>974,118</u>	<u>(539,872)</u>	<u>(952,569)</u>	<u>75,854</u>	<u>580,856</u>
(24,118)	33,631	64,930	(10,066)	30,371	33,682	30,663
1,469,503	743,656	798,154	987,516	800,035	835,692	692,710
-	3,944	415	3,846	36,969	2,275	-
(318,388)	(346,707)	(396,854)	(404,878)	(39,326)	-	-
-	-	-	541,103	-	-	-
<u>45,220</u>	<u>(434)</u>	<u>(14,557)</u>	<u>(4,247)</u>	<u>(6,019)</u>	<u>(2,070)</u>	<u>4,783</u>
<u>1,172,217</u>	<u>434,090</u>	<u>452,088</u>	<u>1,113,274</u>	<u>822,030</u>	<u>869,579</u>	<u>728,156</u>
<u>\$ 2,282,246</u>	<u>\$ 1,886,819</u>	<u>\$ 1,426,206</u>	<u>\$ 573,402</u>	<u>\$ (130,539)</u>	<u>\$ 945,433</u>	<u>\$1,309,012</u>
7.47%	.55%	26.35%	1.51%	(2.87)%	11.18%	12.52%
14.21%	(5.39)%	7.17%	(2.23)%	(4.05)%	22.05%	18.34%
9.07%	(.43)%	(12.56)%	53.18%	.98%	2.32%	30.11%
425,825	424,582	424,532	342,980	341,852	363,485	393,650
14,917	9,896	13,283	10,892	8,721	9,018	8,092

**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**

The Board of Directors  
Metro Waste Authority  
Des Moines, Iowa

We have audited the financial statements of Metro Waste Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated August 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 Metro Waste Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Metro Waste Authority's 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*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Metro Waste Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 27, 2004

**Metro Waste Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2004**

**Part I—Findings Related to the Financial Statements**

No matters regarding reportable conditions, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Metro Waste Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2004**

**Part II—Findings Related to Required Statutory Reporting**

**04-II-A OFFICIAL DEPOSITORIES**

A resolution naming official depositories has been adopted by the Board. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2004.

**04-II-B QUESTIONABLE EXPENSES**

No questionable expenditures of Authority funds were noted.

**04-II-C TRAVEL EXPENSE**

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

**04-II-D BOARD MINUTES**

No transactions were found that we believe should have been approved in the Authority minutes but were not.

**04-II-E DEPOSITS AND INVESTMENTS**

The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. We noted no instances of noncompliance with this policy.

**04-II-F SOLID WASTE FEES RETAINAGE**

During the year ended June 30, 2004, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**04-II-G FINANCIAL ASSURANCE**

The Authority has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation was made as follows at March 17, 2004:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$5,112,835	\$5,511,755
Less balance of funds held in the local dedicated fund at July 31, 2003	<u>5,313,194</u>	<u>5,600,000</u>
	(200,359)	(88,245)
Divided by the number of years remaining in the pay-in period	÷ <u>4</u>	÷ <u>4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	—	—
Balance of funds held in the local dedicated fund at July 31, 2003	<u>5,313,194</u>	<u>5,600,000</u>
Required balance of funds held in the local dedicated fund at June 30, 2004	<u>\$5,313,194</u>	<u>\$5,600,000</u>
Amount Authority has restricted for closure and postclosure care at June 30, 2004	<u>\$5,462,023</u>	<u>\$5,600,000</u>