Metro Waste Authority
Des Moines, Iowa

FINANCIAL REPORT

June 30, 2006

C O N T E N T S

Metro Waste Authority
OFFICIALS

Name	Title	Representing
Paul Leighton	Chair	Clive
Stacey Warren	Vice Chair	Altoona
Gary Welch	Member	Ankeny
Bruce N. Cordes	Member	Bondurant
Chris Coleman	Member	Des Moines
Todd Major	Member	Elkhart
Ron Long	Member	Grimes
Gerd Clabaugh	Member	Johnston
Jon Woods	Member	Mitchellville
James McClarnon	Member	Norwalk
Joe Rivas	Member	Pleasant Hill
Mary Burton	Member	Polk City
Robert Brownell	Member	Polk County
Lori Freel	Member	Runnells
Ron Pogge	Member	Urbandale
Robert Parks	Member	West Des Moines
Carole Tillotson	Member	Windsor Heights
Thomas B. Hadden III	Secretary	
Planning Area Members		
Jim Peters	Member	Adel
Bill Bodensteiner	Member	Alleman
Ruth Randleman	Member	Carlisle
Ron Ekstrom	Member	Hartford
John Deaton	Member	Mingo
Lester H. Evans	Member	Prairie City
Paul Walzer	Member	Sheldahl
Thomas B. Hadden III	Executive Director of Authority	
Ron Lacey	Chief Financial Officer	

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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, 2006 and 2005, 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 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, 2006 and 2005, 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 September 15, 2006 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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 15, 2006

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METRO WASTE AUTHORITY

Management's Discussion and Analysis

As management of 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, 2006, 2005 and 2004. We encourage readers to consider this information with Metro Waste Authority's financial statements that 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 budgeted projections for two of the last three years. Here are some of the financial highlights from fiscal years 2006 and 2005:

- Operating revenues increased by 5.7% for 2006 and decreased by 2.6% for 2005. The increase for 2006 was due to increased waste received at the Metro Park East Landfill and rents received on the building at 300 East Locust. The decrease for 2005 was due to decreased Construction and Demolition waste received at the Metro Park East Landfill.
- The large increase in investment income for the year 2005 over the year 2004 was due to a $668,400 decrease in the market value of MWA's investments in 2004.
- The increase in non-operating revenue for 2005 was due to the sale of fixed assets.
- Fixed assets increased by $10.3 million in 2006. Major purchases were 200 acres of farm land adjacent to the landfill for $1.8 million and a commercial office building at 300 East Locust, Des Moines, Iowa, for $6.7 million.
- Operating expenses decreased by 41% in 2006. This was due to a $5.2 million decrease in the estimate for landfill closure and post closure care costs. MWA will use a non-composite (clay) cap system for landfill closure instead of a composite (HDPE plastic) cap system. For more information see note 8 of the financial statements.
- The increase in non-operating expenses for 2006 was due to increased interest expense on loans for the purchase of capital assets.

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 about 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 operating, investing, and capital and related 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

	FY 05/06	FY 04/05	Change	% Change	FY 03/04	Change	% Change
Current and Other Assets	$16,476,697	$11,146,120	$5,330,577	47.8%	$7,624,937	$3,521,183	46.2%
Restricted Assets	17,619,356	22,081,510	(4,462,154)	-20.2%	21,142,074	939,436	4.4%
Capital Assets	31,573,141	24,151,658	7,421,483	30.7%	25,159,006	(1,007,348)	-4.0%
Total Assets	65,669,194	57,379,288	8,289,906	14.4%	53,926,017	3,453,271	6.4%
Current Liabilities	5,354,972	4,357,119	997,853	22.9%	3,918,940	438,179	11.2%
Long-term Debt Outstanding	4,602,327	1,820,000	2,782,327	152.9%	2,845,000	(1,025,000)	-36.0%
Closure and Post Closure Costs	14,915,854	18,996,608	(4,080,754)	-21.5%	17,443,120	1,553,488	8.9%
Total Liabilities	24,873,153	25,173,727	(300,574)	-1.2%	24,207,060	966,667	4.0%
Net Assets:							
Invested in Capital Assets net of Related Debt	24,484,649	21,306,658	3,177,991	14.9%	21,309,004	(2,346)	0.0%
Restricted by Board	1,906,785	1,925,403	(18,618)	-1.0%	2,447,520	(522,117)	-21.3%
Unrestricted	14,404,607	8,973,500	5,431,107	60.5%	5,962,433	3,011,067	50.5%
Total Net Assets	$40,796,041	$32,205,561	$8,590,480	26.7%	$29,718,957	$2,486,604	8.4%

As can be seen from the table above, net assets increased $8.6 million in 2006 and $2.5 million in 2005. The increase in net assets for 2006 was primarily due to the $7.4 million increase in capital assets. The increase in net assets for 2005 was primarily due to the $3.5 million increase in Current and Other 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. Restricted Assets decreased by $4.5 million in 2006 due to the change in accounting estimate for closure and post closure care costs. 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 $15.0 million in 2006 and $19.0 million in 2005 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 Fund Equity

	FY 05/06	FY 04/05	Change	% Change	FY 03/04	Change	% Change
Operating Revenues	$18,497,337	$17,499,045	$998,292	5.7%	$17,969,015	($469,970)	-2.6%
Investment Income	801,886	796,773	5,113	0.6%	237,312	559,461	235.7%
Nonoperating Revenues	23,610	56,147	(32,537)	-57.9%	38,771	17,376	44.8%
Total Revenues	19,322,833	18,351,965	970,868	5.3%	18,245,098	106,867	0.6%
Operating Expense	7,710,374	13,075,710	-5,365,336	-41.0%	12,998,175	77,535	0.6%
Depreciation	2,894,825	2,695,464	199,361	7.4%	2,839,250	(143,786)	-5.1%
Nonoperating Expense	127,154	94,187	32,967	35.0%	117,790	(23,603)	-20.0%
Total Expenses	10,732,353	15,865,361	($5,133,008)	-32.4%	15,955,215	($89,854)	-0.6%
Change in Net Assets	8,590,480	2,486,604			2,289,883		
Beginning Net Assets	32,205,561	29,718,957			27,429,074		
Ending Net Assets	$40,796,041	$32,205,561			$29,718,957		

While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. Table A-2 shows operating revenues increased by $1.0 million in 2006 and decreased $.5 million in 2005. The increase for 2006 was due to increased Construction and Demolition waste and Special Waste received at the Metro Park East Landfill. The decrease for 2005 was due to the decrease in Construction and Demolition waste received at the Metro Park East Landfill. As was mentioned in the financial highlights, the large increase in investment income for the year 2005 over the year 2004 was due to a $668,400 decrease in the market value of MWA's investments in 2004. Operating expenses decreased by $5.4 million in 2006. This was due to a $5.2 million decrease in the estimate for landfill closure and post closure care costs. MWA has decided to use a non-composite (clay) cap system for landfill closure instead of a composite (HDPE plastic) cap system. This will save approximately $52,000 per acre in closure costs.

CAPITAL ASSETS

Table A-3
Capital Assets

	FY 05/06	FY 04/05	Change	% Change	FY 03/04	Change	% Change
Land & Land Improvements	$14,682,057	$12,396,887	$2,285,170	18.4%	$12,199,362	$197,525	1.6%
Buildings & Building Improvements	17,606,252	11,177,885	6,428,367	57.5%	10,759,445	418,440	3.9%
Landfill Cell Development	6,688,317	6,087,465	600,852	9.9%	5,933,143	154,322	2.6%
Wetlands Treatment Facility	3,408,975	3,408,975	0	0.0%	3,352,294	56,681	1.7%
Equipment	11,697,078	10,724,657	972,421	9.1%	10,442,998	281,659	2.7%
Sub-total	54,082,679	43,795,869	10,286,810	23.5%	42,687,242	1,108,627	2.6%
Less: Accumulated depreciation	22,509,538	19,644,211	2,865,327	14.6%	17,528,236	2,115,975	12.1%
Net Property and Equipment	$31,573,141	$24,151,658	$7,421,483	30.7%	$25,159,006	($1,007,348)	-4.0%

The major capital asset increases for 2006 was the purchase of 200 acres of farm land adjacent to the landfill for $1.8 million and the purchase of a commercial office building for $6.7 million. Also, in 2006 an additional $600,000 was spent on the construction of a new Sub Title D disposal cell at the Metro Park East Landfill. Increases for 2005 were due to two construction projects and the purchase of land. One of the projects was the construction of a new storage building at the Bondurant Regional Collection Center at a cost of $155,000. The other construction project was for a new Sub Title D disposal cell at the Metro Park East Landfill. Also, an additional 2 acres were purchased adjacent to the Grimes lot at a cost of $200,000.

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%.

On February 10, 2006, Metro Waste Authority entered in to a Real Estate Contract for $1.4 million to purchase farm land adjacent to the Metro Park East Landfill. Interest at the rate of 5% and principal is due semiannually each year through September 1, 2015. The seller has the right to demand the unpaid balance of the contract at any time after giving a 60 day notice to MWA.

On April 16, 2006, Metro Waste Authority assumed a $3.3 million mortgage loan on the purchase of the commercial office building at 300 East Locust, Des Moines, Iowa. Interest at the rate of 6.75% and principal is due monthly, with a final balloon payment due July 15, 2009.

On May 4,2006, Metro Waste Authority assumed a $750,000 loan on the purchase of the commercial office building at 300 East Locust, Des Moines, Iowa. The loan is non-interest bearing, due in annual installments to the City of Des Moines, through July 1, 2015.

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 2006	June 30 2005
CURRENT ASSETS		
Cash and cash equivalents	$ 3,432,440	$ 1,702,301
Investments	10,869,012	5,666,195
Disposal fees receivable, less allowance for uncollectible accounts 2006 $100,000 and 2005 $93,821	1,240,494	1,313,204
Prepaid expenses, accrued interest and other assets	625,407	877,155
Inventories	264,191	264,476
Total current assets	16,431,544	9,823,331
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents	1,786,785	1,805,402
Investments	15,832,571	20,276,108
Total assets whose use is limited	17,619,356	22,081,510
PROPERTY AND EQUIPMENT		
Land and building—Metro Park East	29,267,464	26,744,971
Land—Grimes	714,265	714,265
Land and building—Transfer Station	3,613,870	3,575,510
Leasehold improvements—Metro Compost Center	169,788	169,788
Land and building—Regional Collection Center	1,325,842	1,281,877
Land and building—300 East Locust	7,294,372	–
Automobiles, trucks and other equipment	11,697,078	11,309,458
	54,082,679	43,795,869
Less accumulated depreciation and amortization	22,509,538	19,644,211
Total property and equipment	31,573,141	24,151,658
OTHER ASSET		
Note receivable	45,153	1,322,789
Total assets	$65,669,194	$57,379,288

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	June 30 2006	2005
CURRENT LIABILITIES		
Current portion of notes payable	$ 2,486,165	$ 1,025,000
Construction contracts payable	292,589	297,490
Trade accounts payable	834,634	1,262,349
Disposal fee rebates payable	640,656	735,098
Landfill tax payable	228,367	229,825
Accrued payroll and employee benefits	747,843	710,496
Early departure benefits payable	36,522	25,996
Other accrued expenses	88,196	70,865
Total current liabilities	5,354,972	4,357,119
LONG-TERM LIABILITIES		
Notes payable, less current portion	4,602,327	1,820,000
Accrued landfill closure and postclosure care costs	14,915,854	18,996,608
Total long-term liabilities	19,518,181	20,816,608
Total liabilities	24,873,153	25,173,727
COMMITMENTS AND CONTINGENCIES		
FUND EQUITY		
Invested in capital assets, net of related debt	24,484,649	21,306,658
Unrestricted	16,191,392	10,778,903
Restricted for transfer station closure	120,000	120,000
Total fund equity	40,796,041	32,205,561
Total liabilities and fund equity	$65,669,194	$57,379,288

See Notes to Financial Statements.

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

	Year ended June 30	
	2006	**2005**
REVENUES		
Landfill, transfer, compost, RCC and curbside recycling	$18,497,337	$17,499,045
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	11,791,128	11,522,222
Provision for landfill closure and postclosure care costs	(4,080,754)	1,553,488
Operating income before depreciation and amortization	10,786,963	4,423,335
DEPRECIATION AND AMORTIZATION		
Depreciation	2,169,425	2,074,819
Amortization	725,400	620,645
	2,894,825	2,695,464
Operating income	7,892,138	1,727,871
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	1,895	13,924
Investment income	801,886	796,773
Gain on sale of equipment	4,000	18,038
Interest expense	(127,154)	(94,187)
Other	17,715	24,185
Total nonoperating revenues (expenses)	698,342	758,733
Net income	8,590,480	2,486,604
FUND EQUITY, beginning of year	32,205,561	29,718,957
FUND EQUITY, end of year	$40,796,041	$32,205,561

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2006	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$18,511,641	$17,326,328
Cash paid to suppliers for goods and services	(8,657,492)	(8,356,898)
Cash paid to employees for services	(2,895,778)	(2,857,248)
Cash paid for host fees	(201,207)	(191,107)
Grants received	58,406	1,088
Community clean up grants paid	(125,681)	(159,811)
Net cash provided by operating activities	6,689,889	5,762,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(1,439,288)	(1,005,000)
Interest paid on notes payable	(95,565)	(95,988)
Purchase of fixed assets	(3,414,499)	(1,271,786)
Proceeds from sale of equipment	4,000	32,955
Net cash (used in) capital and related financing activities	(4,945,352)	(2,339,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	31,595,906	17,908,474
Purchases of investments	(32,822,920)	(23,276,471)
Interest received	1,174,389	913,807
Net cash received from farming and other activities	19,610	38,109
Net cash (used in) investing activities	(33,015)	(4,416,081)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,711,522	(993,548)
CASH AND CASH EQUIVALENTS		
Beginning	3,507,703	4,501,251
Ending	$ 5,219,225	$ 3,507,703
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Property and equipment acquired by issuance or assumption of debt	$ 5,682,780	$ –
Property and equipment acquired by retirement of note receivable and accrued interest receivable	$ 1,771,721	$ –

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2006	**2005**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$7,892,138	$1,727,871
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,894,825	2,695,464
Provision for closure and postclosure costs	(4,080,754)	1,553,488
Changes in assets and liabilities		
(Increase) decrease in disposal fees receivable	72,710	(171,629)
(Increase) in prepaid expenses and other assets, net of investing activities	(101,953)	(17,504)
(Increase) decrease in inventories	285	(14,071)
(Decrease) in payables, net of amounts for fixed assets	(35,235)	(42,174)
Increase in accrued payroll and benefits payable	47,873	30,907
Net cash provided by operating activities	$6,689,889	$5,762,352
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash and cash equivalents	$3,432,440	$1,702,301
Assets whose use is limited, cash and cash equivalents	1,786,785	1,805,402
Total per statement of cash flows	$5,219,225	$3,507,703

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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Authority considers all cash and short-term investments that are highly liquid 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, 2006 and 2005, 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:

Type	Method
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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income (continued)

The nonnegotiable certificates of deposit and U.S. Treasury and U.S. Government Agency securities 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.

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2006 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.

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.

NOTE 2 CASH AND INVESTMENTS (continued)

As of June 30, 2006, the Authority's investments are as follows:

Deposits	
Money market funds	$ 1,413,550
Nonnegotiable certificates of deposit	5,776,809
Investments	
U.S. Treasury securities	5,376,425
U.S. Government agency securities	13,441,781
Municipal bonds	693,018
Total	$26,701,583

Credit Risk. The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2006, 98.9% of the Authority's investments subject to credit quality ratings were rated Aaa by Moody's Investor Service, with the remaining 1.1% being rated Aa by Moody's.

Concentration of Credit Risk. The Authority's investment policy limits the amount that may be invested in one issuer (excluding U.S. Government obligations) to $2,000,000, or 25% of the portfolio. At June 30, 2006, more than 5% of the Authority's investments were invested in obligations of the following agencies: Federal Home Loan Mortgage Corporation 9.0%; Federal National Mortgage Association 20.0%; and Federal Home Loan Bank 39.8%.

Interest Rate Risk. The Authority's investment policy limits the investing of operating funds (defined as funds reasonably expected to be expended within fifteen months) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, provided that the maturities are consistent with the needs and use of the Authority. The Authority's investments in debt securities had the following weighted average maturities at June 30, 2006: U.S. Treasury securities 3.25 years; U.S. Government agency securities 2.80 years; and municipal bonds 2.10 years.

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2006 and 2005 were limited for the following purposes:

	June 30	
	2006	**2005**
Legally restricted for closure and postclosure care costs	$14,915,854	$18,996,608
Legally restricted for transfer station closure	120,000	120,000
Legally restricted under escrow agreement	228,367	229,824
Designated by Board for capital projects	1,786,785	1,805,402
Designated by Board for environmental contingencies	568,350	929,676
Total assets whose use is limited	$17,619,356	$22,081,510

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 was formerly 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. This office building at 300 East Locust was purchased by the Authority from the Limited Partnership in March 2006 for $6,598,820. Included in the purchase price was $6,054,501 in Limited Partnership debt (including $1,771,721 due to the Authority) which was assumed by the Authority. In April 2006, the Authority withdrew from the Limited Partnership and sold its partnership units back to the general partner for $10.

Prior to the sale of its Limited Partnership units, the Authority recognized interest income from the Limited Partnership of $68,857 and $82,674, respectively, for the years ended June 30, 2006 and 2005. Additionally, rent expense to the Limited Partnership was $158,326 and $172,719 for the years ended June 30, 2006 and 2005, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

During the year ended June 30, 2006, fixed asset additions and disposals by type were as follows:

	Balance July 1, 2005	Additions	Disposals	Transfers	Balance June 30, 2006
Metro Park East					
Land	$ 6,017,853	$ 1,787,170	$ –	$ –	$ 7,805,023
Building	6,022,802	134,471	–	–	6,157,273
Landfill improvements	5,207,876	–	–	–	5,207,876
Landfill cell development	6,087,465	600,852	–	–	6,688,317
Wetlands treatment facility	3,408,975	–	–	–	3,408,975
	26,744,971	2,522,493	–	–	29,267,464
Land—Grimes	714,265	–	–	–	714,265
Transfer Station					
Land	89,221	–	–	–	89,221
Land improvements	130,384	–	–	–	130,384
Building	3,320,431	38,360	–	–	3,358,791
Building improvements	35,474	–	–	–	35,474
	3,575,510	38,360	–	–	3,613,870
Metro Compost Center					
Leasehold improvements	169,788	–	–	–	169,788
Regional Collection Center					
Land	67,500	–	–	–	67,500
Building	1,214,377	43,965	–	–	1,258,342
	1,281,877	43,965	–	–	1,325,842
300 East Locust					
Land	–	498,000	–	–	498,000
Building	–	6,211,571	–	–	6,211,571
Building improvements	–	–	–	584,801	584,801
	–	6,709,571	–	584,801	7,294,372

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PROPERTY AND EQUIPMENT (continued)

	Balance July 1, 2005	Additions	Disposals	Transfers	Balance June 30, 2006
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfill	$ 552,712	$ 44,086	$ –	$ –	$ 596,798
Disposal	7,074,796	917,702	–	–	7,992,498
Transfer Station	1,152,275	32,721	–	–	1,184,996
Regional Collection Center	167,041	–	–	–	167,041
Compost Facility	1,777,833	7,412	(29,500)	–	1,755,745
300 East Locust—leasehold improvements	584,801	–	–	(584,801)	–
	11,309,458	1,001,921	(29,500)	(584,801)	11,697,078
Totals	43,795,869	10,316,310	(29,500)	–	54,082,679
Less accumulated depreciation and amortization	(19,644,211)	(2,894,827)	29,500	–	(22,509,538)
Net property and equipment	$24,151,658	$ 7,421,483	$ –	$ –	$31,573,141

During the year ended June 30, 2005, fixed asset additions and disposals by type were as follows:

	Balance July 1, 2004	Additions	Disposals	Transfers	Balance June 30, 2005
Metro Park East					
Land	$ 6,017,853	$ –	$ –	$ –	$ 6,017,853
Building	6,022,802	–	–	–	6,022,802
Landfill improvements	5,207,876	–	–	–	5,207,876
Landfill cell development	5,933,143	154,322	–	–	6,087,465
Wetlands treatment facility	3,352,294	56,681	–	–	3,408,975
	26,533,968	211,003	–	–	26,744,971
Land—Grimes	510,000	204,265	–	–	714,265
Transfer Station					
Land	89,221	–	–	–	89,221
Land improvements	130,384	–	–	–	130,384
Building	3,161,653	158,778	–	–	3,320,431
Building improvements	35,474	–	–	–	35,474
	3,416,732	158,778	–	–	3,575,510
Metro Compost Center					
Leasehold improvements	169,788	–	–	–	169,788
Regional Collection Center					
Land	67,500	–	–	–	67,500
Building	954,715	259,662	–	–	1,214,377
Construction in progress	6,740	–	(6,740)	–	–
	1,028,955	259,662	(6,740)	–	1,281,877

NOTE 5 PROPERTY AND EQUIPMENT (continued)

Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfill	$ 532,542	$ 20,170	$ –	$ –	$ 552,712
Disposal	6,965,591	694,868	(585,663)	–	7,074,796
Transfer Station	1,106,691	154,290	(2,006)	(106,700)	1,152,275
Regional Collection Center	167,041	–	–	–	167,041
Compost Facility	1,671,133	–	–	106,700	1,777,833
300 East Locust—leasehold improvements	584,801	–	–	–	584,801
	11,027,799	869,328	(587,669)	–	11,309,458
Totals	42,687,242	1,703,036	(594,409)	–	43,795,869
Less accumulated depreciation and amortization	(17,528,236)	(2,695,464)	579,489	–	(19,644,211)
Net property and equipment	$25,159,006	$ (992,428)	$ (14,920)	$ –	$24,151,658

Land with a carrying value of approximately $7,972,000 and $6,185,000 was not used in the landfill operations as of June 30, 2006 and 2005, respectively. Of this amount, approximately $7,594,000 and $5,807,000 was leased or farmed as farmland as of June 30, 2006 and 2005, respectively.

At June 30, 2006, a commitment of approximately $90,000 remains on the Authority's master development plan for the landfill. Additionally, a commitment of approximately $1,145,000 exists on the Authority's construction contract for grading a new landfill cell.

NOTE 6 NOTES PAYABLE

Notes payable at June 30, 2006 and 2005 are summarized as follows:

	2006	2005
Solid Waste Disposal Revenue Note, Series 2003	$1,820,000	$2,845,000
Mortgage note payable	3,270,753	–
City of Des Moines note	667,739	–
Farm installment contract	1,330,000	–
	7,088,492	2,845,000
Less current portion	2,486,165	1,025,000
Long-term debt	$4,602,327	$1,820,000

Solid Waste Disposal Revenue Notes, Series 2003

The Solid Waste Disposal Revenue Note, Series 2003 was issued to a bank on April 1, 2003, for the purpose of refunding the 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 2.80% to 3.30%. The Note is secured solely by future net revenues of the Authority.

NOTE 6 NOTES PAYABLE (continued)

Mortgage note payable

When the Authority purchased the 300 East Locust real estate in March 2006, the Authority assumed the existing first mortgage note on the property. The mortgage note is payable in monthly installments of $27,380 including fixed interest at 6.75% until July 2009, when all remaining unpaid principal and interest are due. The note is collateralized by a mortgage on the 300 East Locust property, and by the assignment of all rents and leases.

The mortgage note contains a number of covenants, and the Authority is in compliance with those covenants at June 30, 2006.

City of Des Moines note

When the Authority purchased the 300 East Locust real estate in March 2006, the Authority assumed the existing note payable to the City of Des Moines. This note, which bears no interest, is payable in annual installments of $75,000 on July 1 of each year until July 1, 2015, when all remaining principal is due. The Authority has also agreed to pay ad valorem property taxes on this property for as long as the Authority has an ownership interest in the property. The note is collateralized by a second mortgage on the 300 East Locust property.

Farm installment contract

The farm installment contract was signed in February 2006, when the Authority agreed to purchase a farm property adjacent to the landfill from an individual. The contract is payable in semiannual principal installments of $70,000 due on March 1 and September 1 each year through September 1, 2015. Interest is also payable semiannually each March 1 and September 1 at 5%. Under the terms of this contract, the seller has the right to demand full payment of any unpaid principal balance at any time by giving the Authority 60 days written notice. Management of the Authority believes it unlikely that this demand provision will be exercised, and has therefore scheduled payment over the full ten year contract.

Principal and interest maturities of the notes payable at June 30, 2006 are summarized as follows:

Year ending June 30	Principal	Interest	Total
2007	$2,486,165	$ 327,197	$2,813,362
2008	968,325	224,689	1,193,014
2009	202,144	201,417	403,561
2010	2,989,120	16,167	3,005,287
2011	75,000	–	75,000
2012-2016	367,738	–	367,738
Totals	$7,088,492	$ 769,470	$7,857,962

A summary of changes in notes payable for the year ended June 30, 2006 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Solid Waste Disposal Revenue Note	$2,845,000	$ –	$1,025,000	$1,820,000	$1,045,000
Mortgage note payable	–	3,540,041	269,288	3,270,753	111,165
City of Des Moines note	–	742,739	75,000	667,739	–
Farm installment contract	–	1,400,000	70,000	1,330,000	1,330,000
Totals	$2,845,000	$5,682,780	$1,439,288	$7,088,492	$2,486,165

NOTE 6 NOTES PAYABLE (continued)

A summary of changes in notes payable for the year ended June 30, 2005 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Solid Waste Disposal Revenue Note	$3,850,000	$ –	$1,005,000	$2,845,000	$1,025,000

NOTE 7 OPERATING LEASES

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2006, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

Year ending June 30	
2007	$ 285,431
2008	261,297
2009	238,350
2010	178,170
2011	129,935
2012-2013	99,167
	$1,192,350

In addition, 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.

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.

NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS (continued)

The Authority's estimated closure and postclosure care liabilities are as follows as of June 30, 2006 and 2005:

	June 30	
	2006	2005
Postclosure care	$ 5,000,000	$ 5,300,000
Landfill closure	9,915,854	13,696,608
Totals	$14,915,854	$18,996,608

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2006 and 2005 is as follows:

	Year ended June 30	
	2006	2005
Provision for posclosure care	$ (300,000)	$ (200,000)
Provision for landfill closure	1,094,812	1,753,488
Change in accounting estimate—landfill closure	(4,875,566)	–
Totals	$(4,080,754)	$1,553,488

The total costs for Metro Waste Authority have been estimated at approximately $15,000,000 as of June 30, 2006, and the portion of the liability that has been recognized is $14,915,854. This liability represents the cumulative amount reported to date based on the use of approximately 94 percent of the capacity of the landfill less payments for cell closure, with a remaining life of fifteen months. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2006 and 2005. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the balance sheet and total $14,915,854 as of June 30, 2006.

During 2006, the Authority recognized a change in accounting estimate, which reduced estimated landfill closure costs by $4,875,566. The change in estimate was due to the Authority determining that non-composite liners will be used in the areas of the landfill in which composite liners are not required. Previous estimates had assumed that the Authority would use composite liners in all areas of the landfill.

NOTE 9 TRANSFER STATION CLOSURE CARE

To comply with state regulations, the Authority is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Authority is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Authority as of June 30, 2006 have been estimated at $120,000. The balance has been restricted and is fully funded at June 30, 2006.

NOTE 10 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 per ton 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, 2006 and 2005, there were no unspent amounts retained by the Authority.

NOTE 11 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, 2006, 2005 and 2004 were $173,404, $169,922 and $167,035, respectively, equal to the required contributions for each year.

NOTE 12 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.

NOTE 13 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 14 CONCENTRATION OF CREDIT RISK

At June 30, 2006, receivables from three customers totaled approximately $720,000, or 58% of total net receivables.

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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, 2006 and 2005 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, 2006, 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, 1997 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
September 15, 2006

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT
Year ended June 30, 2006

	Combined
REVENUES	
Tipping fees, service fees and rental revenue	$18,497,337
EXPENSES	
Operating expenses (excluding depreciation and amortization)	11,791,128
Provision for landfill closure and postclosure care costs	(4,080,754)
Total operating expenses	7,710,374
Operating income (loss) before depreciation and amortization	10,786,963
DEPRECIATION AND AMORTIZATION	
Depreciation	2,169,425
Amortization	725,400
	2,894,825
Operating income (loss)	7,892,138
NONOPERATING REVENUES (EXPENSES)	
Farm income, net of related expenses	1,895
Investment income	801,886
Gain on sale of equipment	4,000
Interest expense	(127,154)
Other	17,715
Total nonoperating revenues (expenses)	698,342
Net income (loss)	$ 8,590,480

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

Landfill	Metro Transfer Station	Metro Compost Center	Regional Collection Center	Recycling	Administration*
$9,618,035	$4,119,200	$2,037,610	$ 684,057	$1,957,693	$ 80,742
4,366,499	980,374	1,900,752	768,650	2,037,821	1,737,032
(4,080,754)	–	–	–	–	–
285,745	980,374	1,900,752	768,650	2,037,821	1,737,032
9,332,290	3,138,826	136,858	(84,593)	(80,128)	(1,656,290)
1,509,657	314,871	148,848	78,956	–	117,093
725,400	–	–	–	–	–
2,235,057	314,871	148,848	78,956	–	117,093
7,097,233	2,823,955	(11,990)	(163,549)	(80,128)	(1,773,383)
1,895	–	–	–	–	–
–	–	–	–	–	801,886
–	–	–	–	–	4,000
(93,858)	–	–	–	–	(33,296)
8,345	–	–	9,114	–	256
(83,618)	–	–	9,114	–	772,846
$7,013,615	$2,823,955	$ (11,990)	$ (154,435)	$ (80,128)	$(1,000,537)

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2006

	Combined
Salaries	$2,943,651
Payroll taxes	410,884
Benefits	914,303
Site maintenance	266,609
Recycling programs	1,587,678
Vehicle repairs and maintenance	367,540
Vehicle fuel	663,342
Computer maintenance	47,114
Minor equipment	41,318
Professional services	458,656
Engineering services	542,246
Graphics design/contract printing	22,843
Contract disposal	425,666
Host fee	201,207
Telephone and utilities	150,064
Building and office supplies	162,844
Advertising	267,537
Travel	54,218
Postage	23,986
Miscellaneous	119,226
Insurance	185,581
Leachate processing	170,941
Investment expense	33,130
Machinery and equipment rental	2,514
Office and facilities rent	208,326
Yard waste collection and bags	1,392,197
Community cleanup grants	125,681
Environmental Management System	1,826
Total operating expenses, excluding depreciation and amortization	$11,791,128

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

Landfill	Metro Transfer Station	Metro Compost Center	Regional Collection Center	Recycling	Administration*
$1,375,809	$ 391,117	$ 189,634	$ 263,906	$ 72,977	$ 650,208
196,542	51,646	24,818	39,611	11,375	86,892
495,895	141,744	66,434	72,554	16,991	120,685
198,674	41,908	4,117	12,729	–	9,181
–	–	–	–	1,587,678	–
201,652	124,864	37,936	3,088	–	–
479,487	131,060	47,347	4,675	–	773
24,728	(700)	3,935	2,290	–	16,861
32,203	1,454	2,894	545	–	4,222
258,229	–	–	1,890	1,270	197,267
505,821	750	761	4,736	–	30,178
2,024	5	3,316	102	8,796	8,600
900	–	–	219,342	205,163	261
130,207	31,642	4,231	32,859	–	2,268
66,972	20,620	12,002	21,503	–	28,967
66,188	9,252	4,165	26,348	1,387	55,504
15,442	2,609	45,244	13,261	129,678	61,303
11,358	–	–	10,175	1,141	31,544
729	–	–	198	–	23,059
41,904	964	1,352	2,391	77	72,538
89,927	29,792	10,369	36,447	1,288	17,758
170,941	–	–	–	–	–
–	–	–	–	–	33,130
867	1,647	–	–	–	–
–	–	50,000	–	–	158,326
–	–	1,392,197	–	–	–
–	–	–	–	–	125,681
–	–	–	–	–	1,826
$4,366,499	$ 980,374	$1,900,752	$ 768,650	$2,037,821	$1,737,032

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	Year ended		
	2006*	**2005**	**2004**
REVENUES	$18,497,337	$17,499,045	$17,969,015
EXPENSES			
Operating expenses (excluding depreciation and amortization)	11,791,128	11,522,222	11,555,055
Provision for landfill closure and postclosure care costs	(4,080,754)	1,553,488	1,443,120
Operating income before depreciation and amortization	10,786,963	4,423,335	4,970,840
DEPRECIATION AND AMORTIZATION			
Depreciation	2,169,425	2,074,819	2,066,298
Amortization	725,400	620,645	772,952
	2,894,825	2,695,464	2,839,250
Operating income (loss)	7,892,138	1,727,871	2,131,590
NONOPERATING REVENUES (EXPENSES)			
Farm income (loss), net of related expenses	1,895	13,924	38,771
Investment income	801,886	796,773	237,312
Gain on sale of land and equipment	4,000	18,038	–
Interest expense	(127,154)	(94,187)	(115,820)
DNR disposal subsidy	–	–	–
Other	17,715	24,185	(1,970)
Total nonoperating revenues (expenses)	698,342	758,733	158,293
Net income (loss)	$ 8,590,480	$ 2,486,604	$ 2,289,883
Percent increase (decrease) from prior period			
Revenues	5.70%	(2.62)%	3.95%
Operating expenses excluding depreciation and amortization	2.33%	(.28)%	8.72%
Provision for depreciation and amortization	7.40%	(5.06)%	9.54%
Tonnage delivered to landfill (unaudited)	490,599	479,095	513,566
Compost tonnage (unaudited)	20,447	20,590	19,209

* During 2006, the Authority recognized a change in accounting estimate of $4,875,566 when the Authority determined that non-composite liners would be utilized in the portions of the landfill in which composite liners are not required.

** 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						
2003	**2002**	**2001**	**2000**	**1999**	**1998****	**1997****
$17,286,179	$15,847,566	$13,911,769	$12,945,110	$12,873,929	$10,189,137	$10,037,480
10,628,158	9,675,573	8,817,890	7,720,885	8,160,955	7,614,717	7,788,337
1,489,625	1,789,340	1,762,916	1,735,295	1,693,882	775,478	1,674,871
5,168,396	4,382,653	3,330,963	3,488,930	3,019,092	1,798,942	574,272
2,110,050	1,940,175	1,795,109	1,609,901	1,586,283	1,941,037	1,244,687
481,966	444,622	425,825	426,300	458,691	397,777	282,154
2,592,016	2,384,797	2,220,934	2,036,201	2,044,974	2,338,814	1,526,841
2,576,380	1,997,856	1,110,029	1,452,729	974,118	(539,872)	(952,569)
48,789	114,572	(24,118)	33,631	64,930	(10,066)	30,371
1,021,380	1,167,396	1,469,503	743,656	798,154	987,516	800,035
9,072	767,784	–	3,944	415	3,846	36,969
(208,697)	(275,165)	(318,388)	(346,707)	(396,854)	(404,878)	(39,326)
–	–	–	–	–	541,103	–
11,433	18,857	45,220	(434)	(14,557)	(4,247)	(6,019)
881,977	1,793,444	1,172,217	434,090	452,088	1,113,274	822,030
$ 3,458,357	$ 3,791,300	$ 2,282,246	$ 1,886,819	$ 1,426,206	$ 573,402	$ (130,539)
9.08%	13.91%	7.47%	.55%	26.35%	1.51%	(2.87)%
9.85%	9.73%	14.21%	(5.39)%	7.17%	(2.23)%	(4.05)%
8.69%	7.38%	9.07%	(.43)%	(12.56)%	53.18%	.98%
518,392	471,731	425,825	424,582	424,532	342,980	341,852
20,889	17,240	14,917	9,896	13,283	10,892	8,721

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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, 2006, and have issued our report thereon dated September 15, 2006. 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 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*. However, we noted a certain immaterial instance of noncompliance that is described in Part II of the accompanying Findings Related to Required Statutory Reporting.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2006 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.

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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
September 15, 2006

Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2006

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, 2006

Part II—Findings Related to Required Statutory Reporting

06-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

06-II-B TRAVEL EXPENSE

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

06-II-C BOARD MINUTES

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

06-II-D DEPOSITS AND INVESTMENTS

No instances on noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted, except as follows:

At June 30, 2006, the Authority had $693,018 invested in municipal bonds, which are not eligible investments per Chapter 12B of the Code of Iowa and the Authority's investment policy.

Recommendation

We recommend that the Authority sell its municipal bond investments, and review and update its investment policy.

Response

These investments have been redeemed subsequent to June 30, 2006.

Conclusion

Response accepted.

06-II-E SOLID WASTE FEES RETAINAGE

During the year ended June 30, 2006, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2006

Part II—Findings Related to Required Statutory Reporting

06-II-F 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 February 6, 2006:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	$7,290,070	$4,596,900
Less balance of funds held in the local dedicated fund at July 31, 2005	8,174,070	5,000,000
	(884,000)	(403,100)
Divided by the number of years remaining in the pay-in period	÷ 2	÷ 2
Required payment into the local dedicated fund for the year ended June 30, 2006	–	–
Balance of funds held in the local dedicated fund at July 31, 2005	8,174,070	5,000,000
Required balance of funds held in the local dedicated fund at June 30, 2006	$8,174,070	$5,000,000
Amount Authority has restricted for closure and postclosure care at June 30, 2006	$8,445,176	$5,000,000