Metro Waste Authority
Des Moines, Iowa

FINANCIAL REPORT

June 30, 2012

C O N T E N T S

	Page
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-9
FINANCIAL STATEMENTS	
Balance sheets	10-11
Statements of revenues, expenses and changes in fund equity	12
Statements of cash flows	13-14
Notes to financial statements	15-27
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	28
SUPPLEMENTARY INFORMATION, FINANCIAL	
Combining statement of revenues and expenses, by department	29-30
Combining summary of operating expenses excluding depreciation and amortization, by department	31-32
Summary of historical operating information	33-34
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*	35-36
SCHEDULE OF FINDINGS	37-38

Metro Waste Authority
OFFICIALS

Name	Title	Representing
Gerd Clabaugh	Chair	Johnston
Keith Ryan	Vice Chair	Bondurant
Dean O'Connor	Member	Altoona
Mark Holm	Member	Ankeny
Phil Tuning	Member	Clive
Skip Moore	Member	Des Moines
Todd Major	Member	Elkhart
Mat Tapper	Member	Grimes
Jon Woods	Member	Mitchellville
Dave Murillo	Member	Norwalk
Barb Malone	Member	Pleasant Hill
Dan Lane	Member	Polk City
Tom Hockensmith	Member	Polk County
Scott Strait	Member	Runnells
Ron Pogge	Member	Urbandale
Charles Schneider	Member	West Des Moines
Diana Willits	Member	Windsor Heights
Thomas B. Hadden III	Secretary	
Planning Area Members		
Bill Bodensteiner		Alleman
Ruth Randleman		Carlisle
Larry Bohlen		Hartford
Gary Bartels		Mingo
Paul Bolles		Prairie City
Don Towers		Sheldahl
Thomas B. Hadden III	Executive Director of Authority	
Grant Johnson	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, 2012 and 2011, 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, 2012 and 2011, 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 November 19, 2012 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.

1601 22nd Street, Suite 400, West Des Moines, Iowa 50266-1453 Telephone: (515) 225-8400 Fax: (515) 225-0149
www.denman-cpa.com e-mail: firm@denman-cpa.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 19, 2012

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 ending June 30, 2012, 2011 and 2010. 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 income the last three years. Here are some of the financial highlights from fiscal years 2012 and 2011:

- Operating revenues increased by 5.7% for 2012 and by 9.9% for 2011. The increase for 2012 was due to increased Curb It! recycling revenue, as well as revenue from contract management of the West Des Moines service territory and additional farm income. The increase for 2011 was due to the same factors as 2012.
- The increase in investment income for the year 2012 was due to a slight increase in interest rates as well as the use of operating income to purchase some equipment. The decrease in investment income for the year 2011 was due to decreased interest rates, the use of funds to complete the maintenance building at Metro Park East, and the building of a second Sub Title D Cell at Metro Park East Landfill.
- The increase in non-operating revenue for 2012 was due to an increase in net farm income, and decrease in interest expense. The decrease in non-operating revenue for 2011 was due to a decrease in net farm income.
- The increase in capital assets for 2012 was due to the purchase of six transfer trailers for the Metro Transfer Station, the purchase of a D7 Dozer and a wheel loader for Metro Park East, the completion of a footbridge at the MWA Learning Center, and continued building of Sub Title D Cells at the Metro Park East Landfill. The increase in capital assets for 2011 was due to the building of the maintenance building at Metro Park East Landfill, a new floor at the Metro Transfer Station, the purchase of a D7 Dozer, compost pad improvements at the Metro Compost Center, and continued building of Sub Title D Cells at the Metro Park East Landfill.
- Increased operating expenses for 2012 were due to increased fuel costs, as well as increased contract management expense for the hauling contract for West Des Moines. The increase in operating expenses for 2011 was due to the contract management expense for the hauling contract for West Des Moines

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 statements are 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.

ANALYSIS OF MWA FINANCIAL POSITION

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 fund equity of Metro Waste Authority and the changes in them. MWA's fund equity (the difference between assets and liabilities) is one way to measure the organization's financial health or financial position. Over time, increases or decreases in MWA's fund equity is 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.

FUND EQUITY

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

Table A-1
Condensed Balance Sheets

	FY 11/12	FY 10/11	Change	% Change	FY 09/10	Change	% Change
Current and Other Assets	$13,133,614	$10,809,042	$2,324,572	21.5%	$10,058,318	$750,724	7.46%
Restricted Assets	15,496,957	15,234,843	$262,114	1.72%	15,035,316	$199,527	1.33%
Capital Assets	47,069,227	46,707,142	$362,085	0.78%	47,015,954	($308,812)	-0.66%
Total Assets	75,699,798	72,751,027	2,948,771	4.05%	72,109,588	641,439	0.89%
Current Liabilities	6,149,950	4,878,408	$1,271,542	26.06%	6,471,432	($1,593,024)	-24.62%
Long-term Debt Outstanding	3,366,446	4,065,984	($699,538)	-17.20%	4,676,363	($610,379)	-13.05%
Closure and Post Closure Costs	12,902,623	12,126,002	$776,621	6.40%	10,934,425	$1,191,577	10.90%
Total Liabilities	22,419,019	21,070,394	1,348,625	6.40%	22,082,220	(1,011,826)	-4.58%
Fund Equity:							
Invested in Capital Assets net of Related Debt	42,513,243	41,337,582	$1,175,661	2.84%	40,573,238	$764,344	1.88%
Restricted by Board	2,140,470	2,608,477	($468,007)	-17.94%	3,695,824	($1,087,347)	-29.42%
Restricted for Transfer Station closure	160,000	157,232	$2,768	1.76%	155,285	$1,947	1.25%
Unrestricted	8,467,066	7,577,342	$889,724	11.74%	5,603,021	$1,974,321	35.24%
Total Fund Equity	$53,280,779	$51,680,633	$1,600,146	3.10%	$50,027,368	$1,653,265	3.30%

The table above shows that net assets increased $1.60 million in 2012 and $1.65 million in 2011. The increase in net assets for 2012 is due to a decrease of $699 thousand in long term debt, as well as an increase in current assets of $2.34 million. The increase in net assets for 2011 is primarily due to the $610 thousand decrease in long-term debt and an increase in current assets of $750 thousand. 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 $12.9 million in 2012 and $12.1 million in 2011 have been restricted for this purpose. For more detailed information on the restriction of these funds, see note 7 of the financial statements.

Table A-2
Condensed Statements of Revenues,
Expenses, and Changes in Fund Equity

	FY 11/12	FY 10/11	Change	% Change	FY 09/10	Change	% Change
Operating Revenues	$26,118,067	$24,709,213	$1,408,854	5.7%	$22,476,221	$2,232,992	9.9%
Investment Income	416,862	325,172	$91,690	28.2%	655,857	($330,685)	-50.4%
Non-operating Revenues	236,431	167,043	$69,388	41.5%	168,232	($1,189)	-0.7%
Total Revenues	26,771,360	25,201,428	1,569,932	6.2%	23,300,310	1,901,118	8.2%
Operating Expense	19,223,136	17,995,407	$1,227,729	6.8%	16,896,815	$1,098,592	6.5%
Depreciation	5,751,552	5,325,744	$425,808	8.0%	5,486,612	($160,868)	-2.9%
Non-operating Expense	196,526	227,012	($30,486)	-13.4%	254,632	($27,620)	-10.8%
Total Expenses	25,171,214	23,548,163	1,623,051	6.9%	22,638,059	910,104	4.0%
Change in Fund Equity	1,600,146	1,653,265			662,251		
Beginning Fund Equity	$51,680,633	50,027,368			49,365,117		
Ending Fund Equity	$53,280,779	$51,680,633			$50,027,368		

While the Balance Sheet shows the change in financial position of fund equity, the Statements of Revenues, Expenses, and Changes in Fund Equity provide answers as to the nature and source of these changes. Table A-2 shows operating revenues increased by $1.41 million in 2012 and by $2.23 million in 2011. The increase for 2012 was due to increased revenue in the Curb It! recycling program and contract management for the West Des Moines hauler. The increase for 2011 was due to increased revenue in the Curb It! recycling program and at Metro Park West Landfill. The increase in investment income for 2012 was due to additional funds in investments. The decrease in investment income for the year 2011 was due to decreased interest rates, the use of funds to complete the maintenance building at Metro Park East, and the building of a second Sub Title D Cell at Metro Park East Landfill. Depreciation expense increased in 2012 due to an increase in depreciation of the Metro Park West cell development and additions to equipment at Metro Park East. Increased operating expenses for 2012 are mainly due to the contract management expense for the hauling contract for West Des Moines.

CAPITAL ASSETS

Table A-3
Capital Assets

	FY 11/12	FY 10/11	Change	% Change	FY 09/10	Change	% Change
Land & Land Improvements	$18,587,532	$18,339,141	$248,391	1.4%	$17,086,691	$1,252,450	7.3%
Buildings & Building Improvements	22,778,290	20,894,878	$1,883,412	9.0%	19,207,182	$1,687,696	8.8%
Landfill Cell Development	16,430,702	14,144,493	$2,286,209	16.2%	13,813,540	$330,953	2.4%
Wetlands Treatment Facility	3,446,625	3,446,625	-	0%	3,408,975	$37,650	1.1%
Equipment	24,002,497	22,555,325	$1,447,172	6.4%	20,868,085	$1,687,240	8.1%
Sub-total	85,245,646	79,380,462	5,865,184	7.4%	74,384,473	4,995,989	6.7%
Less: Accumulated depreciation	38,176,419	32,673,320	$5,503,099	16.8%	27,368,519	$5,304,801	19.4%
Net Capital Assets	$47,069,227	$46,707,142	$362,085	0.8%	$47,015,954	($308,812)	-0.7%

The increase in capital assets for 2012 was due to continued building of Sub Title D Cells at both the Metro Park East and Metro Park West landfills, as well as the purchase of four transfer trailers for the Metro Transfer Station totaling $541 thousand and other small pieces of equipment. The increase in capital assets for 2011 was due to the building of the maintenance building at Metro Park East, a new $450 thousand floor at the Metro Transfer Station, the purchase of a $500 thousand D7 Dozer, compost pad improvements at the Metro Compost Center, and continued construction of Sub Title D Cells at Metro Park East landfill.

DEBT ADMINISTRATION

On April 12, 2011, Metro Waste Authority entered into a promissory note agreement for $48,000 with the Iowa Department of Natural Resources for the Solid Waste Alternatives program. The note is payable in quarterly installments of $4,800, and a forgivable loan of $20,000. The loan forgivable portion is contingent on contractual obligations being met by the Authority. Final payment is due July 15, 2013.

On February 2, 2009, Metro Waste Authority issued Solid Waste Revenue Notes for $3.5 million with an interest rate of 3.79%. Interest and principal is due semiannually each year through June 1, 2016. The proceeds from these notes were used to help purchase 80,000 single stream recycling carts.

On April 20, 2009, Metro Waste Authority entered into a Real Estate Contract for $2.3 million to purchase the North Dallas Landfill, at Perry, Iowa. Interest at the rate of 3.52% and principal is due annually each year through April 20, 2023.

On February 10, 2006, Metro Waste Authority entered into 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 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. This note was paid in July 2010.

For more information on MWA's long-term debt, see note 5 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 Authority'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 2012	June 30 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 6,350,094	$ 3,429,646
Investments	3,945,123	4,500,548
Disposal fees receivable, less allowance for uncollectible accounts 2012 and 2011 $100,000	1,675,829	1,629,028
Prepaid expenses, accrued interest and other assets	426,462	443,078
Inventories	281,999	391,709
Current maturities of notes receivable	452,507	253,851
Total current assets	13,132,014	10,647,860
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents	1,805,980	1,951,648
Investments	13,690,977	13,283,195
Total assets whose use is limited	15,496,957	15,234,843
CAPITAL ASSETS		
Land and building—Metro Park East	36,734,538	35,651,322
Land and building—Metro Park West	7,170,693	5,527,659
Land—Grimes	712,505	712,505
Land and building—Transfer Station	4,120,532	4,103,502
Leasehold improvements—Metro Compost Center	1,449,447	1,411,926
Land and building—Regional Collection Center	1,499,338	1,471,762
Land and building—300 East Locust	7,641,119	7,641,119
Automobiles, trucks and other equipment	24,002,497	22,555,325
Construction in progress	1,914,977	305,342
	85,245,646	79,380,462
Less accumulated depreciation and amortization	38,176,419	32,673,320
Total capital assets	47,069,227	46,707,142
OTHER ASSET		
Notes receivable, net of current maturities	1,600	161,182
Total assets	$75,699,798	$72,751,027

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	June 30 2012	June 30 2011
CURRENT LIABILITIES		
Current portion of notes payable	$ 1,189,538	$ 1,303,576
Construction contracts payable	292,589	411,710
Trade accounts payable	2,422,237	870,854
Disposal fee rebates payable	223,401	216,919
Landfill tax payable	293,864	343,132
Accrued payroll and employee benefits	1,402,579	1,426,707
Other accrued expenses	325,742	305,510
Total current liabilities	6,149,950	4,878,408
LONG-TERM LIABILITIES		
Notes payable, less current portion	3,366,446	4,065,984
Accrued landfill closure and postclosure care costs	12,902,623	12,126,002
Total long-term liabilities	16,269,069	16,191,986
Total liabilities	22,419,019	21,070,394
COMMITMENTS AND CONTINGENCIES		
FUND EQUITY		
Invested in capital assets, net of related debt	42,513,243	41,337,582
Unrestricted	10,607,536	10,185,819
Restricted for transfer station closure	160,000	157,232
Total fund equity	53,280,779	51,680,633
Total liabilities and fund equity	$75,699,798	$72,751,027

See Notes to Financial Statements.

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

	Year ended June 30	
	2012	2011
REVENUES		
Landfill, transfer, compost, RCC, curbside recycling, and rental	$26,118,067	$24,709,213
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	17,871,941	16,227,319
Provision for landfill closure and postclosure care costs	1,351,195	1,768,088
Operating income before depreciation and amortization	6,894,931	6,713,806
DEPRECIATION AND AMORTIZATION		
Depreciation	3,877,884	3,445,727
Amortization	1,873,668	1,880,017
	5,751,552	5,325,744
Operating income	1,143,379	1,388,062
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	184,253	50,372
Investment income	416,862	325,172
Gain on sale of capital assets	30,509	8,312
Interest expense	(196,526)	(227,012)
Other	21,669	108,359
Total nonoperating revenues (expenses)	456,767	265,203
Increase in fund equity	1,600,146	1,653,265
FUND EQUITY, beginning of year	51,680,633	50,027,368
FUND EQUITY, end of year	$53,280,779	$51,680,633

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$26,085,833	$24,850,195
Cash paid to suppliers for goods and services	(12,409,159)	(11,542,600)
Cash paid to employees for services	(4,521,111)	(4,120,956)
Cash paid for host fees	(419,349)	(440,208)
Community clean up grants paid	(123,420)	(115,773)
Net cash provided by operating activities	8,612,794	8,630,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(813,576)	(1,141,156)
Proceeds from notes payable	–	68,000
Interest paid on notes payable	(201,567)	(231,950)
Additions to notes receivable	(185,484)	(8,200)
Principal collections on notes receivable	146,410	641,148
Purchase of capital assets	(5,020,462)	(6,095,070)
Proceeds from sale of capital assets	30,509	8,312
Payments for landfill cell closure	(574,574)	(576,511)
Net cash (used in) capital and related financing activities	(6,618,744)	(7,335,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	12,639,733	8,135,812
Purchases of investments	(12,400,439)	(9,446,228)
Interest received	335,514	395,420
Net cash received from farming and other activities	205,922	158,731
Net cash provided by (used in) investing activities	780,730	(756,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,774,780	538,966
CASH AND CASH EQUIVALENTS		
Beginning	5,381,294	4,842,328
Ending	$ 8,156,074	$ 5,381,294

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2012	**2011**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$1,143,379	$1,388,062
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	5,751,552	5,325,744
Provision for closure and postclosure costs	1,351,195	1,768,088
Changes in assets and liabilities		
(Increase) decrease in disposal fees receivable	(46,801)	139,557
Decrease in prepaid expenses and other assets, net of investing activities	6,313	147,863
(Increase) decrease in inventories	109,710	(91,485)
Increase (decrease) in payables, net of amounts for capital assets	321,574	(176,314)
Increase (decrease) in accrued payroll and benefits payable	(24,128)	129,143
Net cash provided by operating activities	$8,612,794	$8,630,658
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash and cash equivalents	$6,350,094	$3,429,646
Assets whose use is limited, cash and cash equivalents	1,805,980	1,951,648
Total per statement of cash flows	$8,156,074	$5,381,294

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 sanitary landfills, 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

The Authority has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The Authority has performed a valuation and other post employment benefits have been judged by management to be immaterial to the financial statements.

Cash and Cash Equivalents

The Authority considers all cash and short-term investments that are highly liquid to be cash equivalents.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Capital Assets

Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Depreciation and amortization of all exhaustible capital assets is charged as an expense against operations. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method using these asset lives:

Landfill improvements	5 to 10 years
Wetlands treatment facility	10 to 30 years
Buildings	10 to 40 years
Building improvements	10 years
Automobiles and trucks	3 to 10 years
Equipment	5 to 10 years

Amortization is computed using the straight-line method as follows:

Landfill cell development	Landfill capacity used
Leasehold improvements	Lease term

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, 2012 and 2011, 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 7).

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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
Foreign agency securities	Fair value based on quoted market prices

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 obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

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. Amounts related to an escrow agreement and amounts restricted for closure and postclosure care costs are reported net of the liabilities accrued related to these costs.

Unrestricted

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, 2012 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.

As of June 30, 2012, the Authority's deposits and investments are as follows:

Deposits	
Money market funds	$ 512,552
Nonnegotiable certificates of deposit	788,354
Investments	
Corporate bonds	2,017,067
U.S. Government agency securities	14,072,042
Foreign agency securities	246,085
Total	$17,636,100

Credit Risk. The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2012, all of the Authority's investments subject to credit quality ratings were rated Aaa by Moody's Investor Service.

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, 2012, more than 5% of the Authority's investments were invested in obligations of the following agencies: Federal National Mortgage Association 42.7%; Federal Home Loan Bank 16.0%; Federal Home Loan Mortgage Corporation 15.2%; Federal Farm Credit Bank 9.4% and Financing Corporation 7.5%.

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, 2012: U.S. Treasury securities 3.78 years; and U.S. Government agency securities 4.74 years; and corporate bonds 1.77 years.

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2012 and 2011 were limited for the following purposes:

	June 30	
	2012	**2011**
Legally restricted assets whose use is limited		
For closure and postclosure care costs	$12,902,623	$12,126,002
For transfer station closure	160,000	157,232
Under escrow agreement	293,864	343,132
Total - legally restricted	13,356,487	12,626,366
Board designated assets whose use is limited		
For capital projects	731,470	1,507,800
For environmental contingencies	334,490	656,829
For debt repayment	1,074,510	443,848
Total - board designated	2,140,470	2,608,477
Total assets whose use is limited	$15,496,957	$15,234,843

Assets designated by the Board of Directors for capital projects, environmental contingencies, and debt repayment represent assets set aside for these purposes. The Board retains control of these assets and may, at its discretion, subsequently use the assets for other purposes.

NOTE 4 CAPITAL ASSETS

During the year ended June 30, 2012, capital asset additions and disposals by type were as follows:

	Balance July 1, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
Metro Park East					
Land	$ 8,306,004	$ –	$ –	$ –	$ 8,306,004
Building	8,050,960	215,471	–	13,700	8,280,131
Landfill improvements	2,476,970	–	–	–	2,476,970
Landfill cell development	13,370,763	839,196	–	14,849	14,224,808
Wetlands treatment facility	3,446,625	–	–	–	3,446,625
	35,651,322	1,054,667	–	28,549	36,734,538
Metro Park West					
Land	4,550,910	–	–	–	4,550,910
Land improvements	43,584	23,842	–	187,028	254,454
Building	159,435	–	–	–	159,435
Landfill cell development	773,730	1,432,164	–	–	2,205,894
	5,527,659	1,456,006	–	187,028	7,170,693
Land—Grimes	712,505	–	–	–	712,505
Transfer Station					
Land	89,221	–	–	–	89,221
Land improvements	182,521	–	–	–	182,521
Building	3,831,760	17,030	–	–	3,848,790
	4,103,502	17,030	–	–	4,120,532
Metro Compost Center					
Leasehold improvements	1,411,926	37,521	–	–	1,449,447
Regional Collection Center					
Land	67,500	–	–	–	67,500
Building	1,404,262	27,576	–	–	1,431,838
	1,471,762	27,576	–	–	1,499,338
300 East Locust					
Land	498,000	–	–	–	498,000
Building	7,143,119	–	–	–	7,143,119
	7,641,119	–	–	–	7,641,119
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	632,859	13,200	–	–	646,059
Disposal	12,962,207	1,096,856	(248,453)	–	13,810,610
Transfer Station	2,312,127	540,581	–	–	2,852,708
Regional Collection Center	281,796	44,988	–	–	326,784
Recycling	4,340,561	–	–	–	4,340,561
Compost Facility	2,025,775	–	–	–	2,025,775
	22,555,325	1,695,625	(248,453)	–	24,002,497
Construction in progress	305,342	1,829,438	(4,226)	(215,577)	1,914,977
Totals	79,380,462	6,117,863	(252,679)	–	85,245,646
Less accumulated depreciation and amortization	(32,673,320)	(5,751,552)	248,453	–	(38,176,419)
Net capital assets	$46,707,142	$ 366,311	$ (4,226)	$ –	$47,069,227

NOTE 4 CAPITAL ASSETS (continued)

During the year ended June 30, 2011, capital asset additions and disposals by type were as follows:

	Balance July 1, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Metro Park East					
Land	$ 7,980,605	$ 325,399	$ –	$ –	$ 8,306,004
Building	7,119,617	931,343	–	–	8,050,960
Landfill improvements	2,476,970	–	–	–	2,476,970
Landfill cell development	13,049,793	320,970	–	–	13,370,763
Wetlands treatment facility	3,408,975	37,650	–	–	3,446,625
	34,035,960	1,615,362	–	–	35,651,322
Metro Park West					
Land	4,550,910	–	–	–	4,550,910
Land improvements	14,334	29,250	–	–	43,584
Building	159,435	–	–	–	159,435
Landfill cell development	763,747	9,983	–	–	773,730
	5,488,426	39,233	–	–	5,527,659
Land—Grimes	712,505	–	–	–	712,505
Transfer Station					
Land	89,221	–	–	–	89,221
Land improvements	182,521	–	–	–	182,521
Building	3,380,749	451,011	–	–	3,831,760
	3,652,491	451,011	–	–	4,103,502
Metro Compost Center					
Leasehold improvements	514,125	897,801	–	–	1,411,926
Regional Collection Center					
Land	67,500	–	–	–	67,500
Building	1,404,262	–	–	–	1,404,262
	1,471,762	–	–	–	1,471,762
300 East Locust					
Land	498,000	–	–	–	498,000
Building	7,143,119	–	–	–	7,143,119
	7,641,119	–	–	–	7,641,119
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	548,080	105,722	(20,943)	–	632,859
Disposal	11,794,762	1,167,445	–	–	12,962,207
Transfer Station	2,038,127	274,000	–	–	2,312,127
Regional Collection Center	226,435	55,361	–	–	281,796
Recycling	4,234,906	105,655	–	–	4,340,561
Compost Facility	2,025,775	–	–	–	2,025,775
	20,868,085	1,708,183	(20,943)	–	22,555,325
Construction in progress	–	305,342	–	–	305,342
Totals	74,384,473	5,016,932	(20,943)	–	79,380,462
Less accumulated depreciation and amortization	(27,368,519)	(5,325,744)	20,943	–	(32,673,320)
Net capital assets	$47,015,954	$ (308,812)	$ –	$ –	$46,707,142

NOTE 4 CAPITAL ASSETS (continued)

Land with a carrying value of approximately $8,210,000 was not used in the landfill operations as of June 30, 2012 and 2011. Of this amount, approximately $6,977,000 was leased or farmed as farmland as of June 30, 2012 and 2011.

At June 30, 2012, contract commitments of approximately $597,000 remain on various Authority engineering and construction contracts for Leachate Lagoon at Metro Park East.

NOTE 5 NOTES PAYABLE

Notes payable at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Solid Waste Disposal Revenue Note, Series 2009	$2,185,000	$2,670,000
Note payable	1,836,984	2,006,360
Farm installment contract	490,000	630,000
Solid Waste Alternates Program	44,000	63,200
	4,555,984	5,369,560
Less current portion	1,189,538	1,303,576
Long-term debt	$3,366,446	$4,065,984

Solid Waste Disposal Revenue Note, Series 2009

The Solid Waste Disposal Revenue Note, Series 2009 was issued to a bank on February 2, 2009, for the purpose of acquiring solid waste collection and disposal equipment. The 2009 Note is payable in annual principal installments due on June 1 each year through June 1, 2016. Interest is payable semiannually each June 1 and December 1, with an interest rate of 3.79%. The Note is secured solely by future net revenues of the Authority. Annual principal and interest payments are expected to require less than the net revenues of the system. For the current year, $99,661 in interest was expensed on the note.

Note payable

The Authority purchased the North Dallas Landfill in April 2009. The note is payable in annual installments of $240,000 through April 2013 and then annual installments of $200,000 from April 2014 through 2023. Installment payments include principal and interest at 3.52%. For the current year, $69,448 in interest was expensed on the note.

NOTE 5 NOTES PAYABLE (continued)

Farm installment contract

The farm installment contract was signed in February 2006, when the Authority agreed to purchase a farm property from an individual adjacent to the landfill. 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. Although management of the Authority believes it unlikely that this demand provision will be exercised, the entire note payable balance is classified as maturing in the year ending June 30, 2013, due to the note's 60-day demand provision. For the current year, $27,417 in interest was expensed on the note.

Solid Waste Alternatives Program note

The Authority entered into a promissory note agreement with the Iowa Department of Natural Resources (DNR) for the Solid Waste Alternatives Program. The agreement consists of a $48,000 zero-interest loan, which is payable in quarterly installments of $4,800, and a forgivable loan of $20,000. The forgivable loan portion of the agreement will be forgiven if all contractual obligations are met by the Authority. Final payment is due on July 15, 2013.

Principal and interest maturities of the notes payable at June 30, 2012 are summarized as follows:

Year ending June 30	Principal	Interest	Total
2013	$1,189,538	$ 170,223	$1,359,761
2014	696,310	122,162	818,472
2015	706,491	97,094	803,585
2016	741,648	70,713	812,361
2017-2021	842,167	157,833	1,000,000
2022-2023	379,830	20,170	400,000
Totals	$4,555,984	$ 638,195	$5,194,179

A summary of changes in notes payable for the year ended June 30, 2012 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Solid Waste Disposal Revenue Note 2009	$2,670,000	$ –	$ 485,000	$2,185,000	$ 505,000
Note payable	2,006,360	–	169,376	1,836,984	175,338
Farm installment contract	630,000	–	140,000	490,000	490,000
Solid Waste Alternatives Program note	63,200	–	19,200	44,000	19,200
Totals	$5,369,560	$ –	$ 813,576	$4,555,984	$1,189,538

NOTE 5 NOTES PAYABLE (continued)

A summary of changes in notes payable for the year ended June 30, 2011 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Solid Waste Disposal Revenue Note 2009	$3,135,000	$ –	$ 465,000	$2,670,000	$ 485,000
Note payable	2,169,977	–	163,617	2,006,360	169,376
City of Des Moines note	367,739	–	367,739	–	–
Farm installment contract	770,000	–	140,000	630,000	630,000
Solid Waste Alternatives Program note	–	68,000	4,800	63,200	19,200
Totals	$6,442,716	$ 68,000	$1,141,156	$5,369,560	$1,303,576

NOTE 6 OPERATING LEASES

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2012, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

Year ending June 30	
2013	$ 396,000
2014	261,000
2015	187,000
2016	108,000
2017-2018	126,000
	$1,078,000

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, 2020, can be cancelled by either party by giving 60 days notice. Annual rent payments are $40,000.

NOTE 7 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.

NOTE 7 CLOSURE AND POSTCLOSURE CARE COSTS (continued)

The Authority is required 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, 2012 and 2011:

	June 30	
	2012	2011
Postclosure care	$ 8,511,525	$ 8,731,104
Landfill closure	4,391,098	3,394,898
Totals	$12,902,623	$12,126,002

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2012 and 2011 is as follows:

	Year ended June 30	
	2012	2011
Provision for postclosure care	$ 286,330	$1,572,426
Provision for landfill closure	1,064,865	195,662
Totals	$1,351,195	$1,768,088

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately $16,860,000 as of June 30, 2012, and the portion of the liability that has been recognized is $12,902,623. This liability represents the cumulative amount reported to date based on the use of approximately 67 percent of the capacity of the landfill less payments for cell closure, with a remaining life of 45 years. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2012 and 2011. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the balance sheet and total $12,902,623 as of June 30, 2012.

NOTE 8 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, 2012 have been estimated at $160,000. The balance has been restricted and is fully funded at June 30, 2012.

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. One dollar and 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, 2012 and 2011, 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 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 5.38% of their annual covered salary and the Authority is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $362,671, $295,290 and $266,233, respectively, equal to the required contributions for each year.

NOTE 11 POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the Authority provides post employment healthcare benefits to all eligible employees who retire from the Authority. The Authority pays the insurance premiums based on the rate of coverage for a single employee until the retired employee reaches age 65. Payments under these benefits totaled $7,584 for 2012 and $3,160 for 2011.

NOTE 12 NOTES RECEIVABLE

Notes receivable at June 30, 2012 consist of the following:

Tenant loan receivable, monthly payments due of $120 including interest at 7.8%, matures November 2014.	$ 2,861
Notes receivable from nine area cities for construction cost related to a salt storage building, total annual payments due of approximately $451,000 including interest at 5% through June 2013.	451,246
Total	$454,107

NOTE 12 NOTES RECEIVABLE (continued)

Maturities of notes receivable at June 30, 2012 are summarized as follows:

Year ending June 30	
2013	$452,507
2014	1,363
2015	237
Total	$454,107

NOTE 13 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 14 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 15 CONCENTRATION OF CREDIT RISK

At June 30, 2012, receivables from five customers totaled approximately $850,680, or 51% 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

We have audited the financial statements of Metro Waste Authority as of and for the years ended June 30, 2012 and 2011, and have issued our reports thereon dated November 19, 2012 and November 11, 2011, respectively, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We previously audited the years ended June 30, 2003 through 2010, and expressed unqualified opinions on those financial statements.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 19, 2012

1601 22nd Street, Suite 400, West Des Moines, Iowa 50266-1453 Telephone: (515) 225-8400 Fax: (515) 225-0149
www.denman-cpa.com e-mail: firm@denman-cpa.com

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT
Year ended June 30, 2012

	Combined	Metro Park East Landfill
REVENUES		
Tipping fees, service fees and rental revenue	$26,118,067	$10,490,742
EXPENSES		
Operating expenses (excluding depreciation and amortization)	17,871,941	5,618,431
Provision for landfill closure and postclosure care costs	1,351,195	1,253,752
Total operating expenses	19,223,136	6,872,183
Operating income (loss) before depreciation and amortization	6,894,931	3,618,559
DEPRECIATION AND AMORTIZATION		
Depreciation	3,877,884	1,586,432
Amortization	1,873,668	1,873,668
	5,751,552	3,460,100
Operating income (loss)	1,143,379	158,459
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	184,253	183,272
Investment income	416,862	–
Interest expense	(196,526)	(27,417)
Gain on sale of assets	30,509	–
Other	21,669	20,181
Total nonoperating revenues (expenses)	456,767	176,036
Increase (decrease) in fund equity	$ 1,600,146	$ 334,495

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

Metro Park West Landfill	Metro Transfer Station	Metro Compost Center	Regional Collection Center	Recycling	Rental-300 East Locust	Administration*
$1,161,108	$5,305,035	$2,432,157	$ 622,983	$3,794,068	$ 441,559	$1,870,415
654,035	1,399,144	2,058,831	811,592	2,915,592	522,622	3,891,694
97,443	–	–	–	–	–	–
751,478	1,399,144	2,058,831	811,592	2,915,592	522,622	3,891,694
409,630	3,905,891	373,326	(188,609)	878,476	(81,063)	(2,021,279)
788,405	456,969	231,840	106,527	443,883	203,344	60,484
–	–	–	–	–	–	–
788,405	456,969	231,840	106,527	443,883	203,344	60,484
(378,775)	3,448,922	141,486	(295,136)	434,593	(284,407)	(2,081,763)
981	–	–	–	–	–	–
–	–	–	–	–	273	416,589
(69,448)	–	–	–	(99,661)	–	–
–	–	–	–	–	–	30,509
–	–	–	235	–	–	1,253
(68,467)	–	–	235	(99,661)	273	448,351
$ (447,242)	$3,448,922	$ 141,486	$ (294,901)	$ 334,932	$ (284,134)	$(1,633,412)

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2012

	Combined	Metro Park East Landfill
Salaries	$ 4,496,983	$ 1,966,707
Payroll taxes	702,363	297,516
Benefits	994,590	445,936
Site maintenance	594,940	308,362
Recycling programs	4,284,254	–
Vehicle repairs and maintenance	781,016	558,174
Vehicle fuel	1,177,860	816,142
Computer maintenance	84,922	20,198
Minor equipment	113,343	73,185
Professional services	329,561	26,835
Engineering services	398,738	290,496
Graphics design/contract printing	46,278	4,800
Contract disposal	218,211	–
Property taxes and host fees	450,860	133,809
Telephone and utilities	236,812	83,041
Building and office supplies	227,877	75,621
Advertising	299,878	43,001
Travel	95,094	25,446
Postage	18,938	984
Miscellaneous	221,675	154,745
Insurance	198,306	78,485
Leachate processing	205,013	164,324
Investment expense	15,537	–
Machinery and equipment rental	19,221	7,560
Office and facilities rent	40,000	–
Yard waste collection and bags	1,428,357	–
Community cleanup grants	123,420	–
Environmental Management System	67,894	43,064
Total operating expenses, excluding depreciation and amortization	$17,871,941	$ 5,618,431

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

Metro Park West Landfill	Metro Transfer Station	Metro Compost Center	Regional Collection Center	Recycling	Rental- 300 East Locust	Administration*
$ 286,677	$ 638,080	$247,911	$ 330,913	$ 163,896	$ –	$ 862,799
41,864	102,834	38,924	54,355	28,418	–	138,452
45,911	132,273	56,143	93,310	34,897	–	186,120
60,605	40,812	14,812	23,458	7,128	139,763	–
–	–	–	–	2,429,448	–	1,854,806
18,769	129,228	52,812	1,850	20,183	–	–
46,506	240,241	64,796	7,935	–	–	2,240
2,664	1,046	10,999	4,316	–	–	45,699
3,933	1,236	1,182	15,896	5,825	–	12,086
–	–	–	12,168	1,324	–	289,234
72,842	800	28,187	1,550	1,706	–	3,157
495	449	9,655	7,281	15,202	–	8,396
–	–	–	123,815	91,249	3,147	–
–	31,644	–	28,883	–	256,524	–
6,193	21,629	7,041	27,043	–	52,222	39,643
7,964	26,194	6,247	28,519	93	45,038	38,201
1,062	1,743	26,285	23,315	101,007	–	103,465
3,647	328	140	6,063	5,579	–	53,891
122	–	–	54	377	–	17,401
523	897	2,018	2,799	1,660	54	58,979
12,018	29,710	13,212	18,069	7,600	25,874	13,338
40,689	–	–	–	–	–	–
–	–	–	–	–	–	15,537
1,551	–	10,110	–	–	–	–
–	–	40,000	–	–	–	–
–	–	1,428,357	–	–	–	–
–	–	–	–	–	–	123,420
–	–	–	–	–	–	24,830
$ 654,035	$1,399,144	$2,058,831	$ 811,592	$2,915,592	$ 522,622	$3,891,694

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	Year ended		
	2012	2011	2010
REVENUES	$26,118,067	$24,709,213	$22,476,221
EXPENSES			
Operating expenses (excluding depreciation and amortization)	17,871,941	16,227,319	15,489,209
Provision for landfill closure and postclosure care costs	1,351,195	1,768,088	1,407,606
Operating income before depreciation and amortization	6,894,931	6,713,806	5,579,406
DEPRECIATION AND AMORTIZATION			
Depreciation	3,877,884	3,445,727	3,298,212
Amortization	1,873,668	1,880,017	2,188,400
	5,751,552	5,325,744	5,486,612
Operating income	1,143,379	1,388,062	92,794
NONOPERATING REVENUES (EXPENSES)			
Farm income (loss), net of related expenses	184,253	50,372	107,322
Investment income	416,862	325,172	655,857
Gain on sale of land and capital assets	30,509	8,312	4,170
Interest expense	(196,526)	(227,012)	(254,632)
Other	21,669	108,359	56,740
Total nonoperating revenues (expenses)	456,767	265,203	569,457
Increase in fund equity	$ 1,600,146	$1,653,265	$ 662,251
Percent increase (decrease) from prior period			
Revenues	5.70%	9.93%	0.63%
Operating expenses excluding depreciation and amortization	10.13%	4.77%	(1.44)%
Provision for depreciation and amortization	8.00%	(2.93)%	8.69%
Tonnage delivered to landfill (unaudited)	551,228	561,792	548,384
Compost tonnage (unaudited)	32,937	32,569	32,664

* 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.

June 30						
2009	**2008**	**2007**	**2006***	**2005**	**2004**	**2003**
$22,334,440	$21,416,712	$19,472,340	$18,497,337	$17,499,045	$17,969,015	$17,286,179
15,715,024	13,899,799	12,570,040	11,791,128	11,522,222	11,555,055	10,628,158
1,266,388	998,862	1,119,852	(4,080,754)	1,553,488	1,443,120	1,489,625
5,353,028	6,518,051	5,782,448	10,786,963	4,423,335	4,970,840	5,168,396
2,659,138	2,891,392	2,391,022	2,169,425	2,074,819	2,066,298	2,110,050
2,388,956	1,895,793	725,400	725,400	620,645	772,952	481,966
5,048,094	4,787,185	3,116,422	2,894,825	2,695,464	2,839,250	2,592,016
304,934	1,730,866	2,666,026	7,892,138	1,727,871	2,131,590	2,576,380
(64,124)	75,933	92,584	1,895	13,924	38,771	48,789
800,914	1,431,260	1,730,338	801,886	796,773	237,312	1,021,380
–	88,106	184,602	4,000	18,038	–	9,072
(119,877)	(126,549)	(320,253)	(127,154)	(94,187)	(115,820)	(208,697)
45,935	22,740	25,641	17,715	24,185	(1,970)	11,433
662,848	1,491,490	1,712,912	698,342	758,733	158,293	881,977
$ 967,782	$ 3,222,356	$ 4,378,938	$ 8,590,480	$ 2,486,604	$ 2,289,883	$ 3,458,357
4.29%	9.99%	5.27%	5.70%	(2.62)%	3.95%	9.08%
13.06%	10.58%	6.61%	2.33%	(.28)%	8.72%	9.85%
5.45%	53.61%	7.65%	7.40%	(5.06)%	9.54%	8.69%
560,468	552,349	495,203	490,599	479,095	513,566	518,392
30,385	24,990	25,421	20,447	20,590	19,209	20,889

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, 2012, and have issued our report thereon dated November 19, 2012. 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

Management of Metro Waste Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Metro Waste Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

1601 22nd Street, Suite 400, West Des Moines, Iowa 50266-1453 Telephone: (515) 225-8400 Fax: (515) 225-0149
www.denman-cpa.com e-mail: firm@denman-cpa.com

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, 2012 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. Those comments are presented in Part II of the accompanying schedule of findings.

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
November 19, 2012

Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2012

Part I—Findings Related to the Financial Statements

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

Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2012

Part II—Findings Related to Required Statutory Reporting

12-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

12-II-B TRAVEL EXPENSE

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

12-II-C BOARD MINUTES

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

12-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.

12-II-E SOLID WASTE FEES RETAINAGE

During the year ended June 30, 2012, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

12-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. Amounts are as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care at June 30, 2012	$4,391,098	$8,511,525
Less balance of funds held in the local dedicated fund at June 30, 2012	4,391,098	8,511,525
	–	–
Divided by the number of years remaining in the pay-in period	÷ 1	÷ 1
Required payment into the local dedicated fund for the year ended June 30, 2012	$ –	$ –
Required balance of funds held in the local dedicated fund at June 30, 2012	$4,391,098	$8,511,525
Amount Authority has restricted for closure and postclosure care at June 30, 2012	$4,391,098	$8,511,525