Metro Waste Authority
Des Moines, Iowa

FINANCIAL REPORT

June 30, 2013

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 net position	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
Michael McCoy	Member	Clive
Skip Moore	Member	Des Moines
Todd Major	Member	Elkhart
Mat Tapper	Member	Grimes
Dean McGhee	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
John Mickelson	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

Report on the Financial Statements

We have audited the accompanying financial statements of Metro Waste Authority (a joint public body) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 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, which considers it to be an essential part of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2013

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, 2013, 2012 and 2011. 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 2013 and 2012:

- Operating revenues increased by 2.9% for 2013 and by 5.7% for 2012. The increase for 2013 was due to the new fly-ash and liquid waste disposal programs, as well as additional revenue from contract management of the Altoona, Runnells, and Pleasant Hill service territories. 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 decrease in investment income for the year 2013 was due to an increase in short term interest rates which affected the unrealized gains/losses in long term bonds in the portfolio. The slight 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 non-operating revenue for 2013 was due to a decrease in net farm income. The increase in non-operating revenue for 2012 was due to an increase in net farm income, and decrease in interest expense.
- The increase in capital assets for 2013 was due to the purchase of three trucks and three transfer trailers for the Metro Transfer Station, the purchase of a D7 Dozer, four pick-up trucks and a water truck for Metro Park East. Also completed was the turning lane project at Metro Park East, a new humidification silo for fly-ash waste disposal, the Metro Hazardous Waste Drop-off building project and continued building of Sub Title D Cells at the Metro Park East Landfill. 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.
- Increased operating expenses for 2013 were due to increased fuel costs, as well as new contract disposal expense for the hauling of fly-ash to 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.

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 Net Position. 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 Net Position report information about the net position of Metro Waste Authority and the changes in them. MWA's net position (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 net position 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.

NET POSITION

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

Table A-1

Condensed Balance Sheets

	FY 12/13	FY 11/12	Change	% Change	FY 10/11	Change	% Change
Current and Other Assets	$12,184,865	$13,133,614	($948,749)	-7.22%	$10,809,042	$2,324,572	21.50%
Restricted Assets	19,563,173	15,496,957	4,066,216	26.24%	15,234,843	262,114	1.72%
Capital Assets	47,761,799	47,069,227	692,572	1.47%	46,707,142	362,085	0.78%
Total Assets	79,509,837	75,699,798	3,810,039	5.03%	72,751,027	2,948,771	4.05%
Current Liabilities	7,083,002	6,149,950	933,052	15.17%	4,878,408	1,271,542	26.06%
Long-term Debt Outstanding	4,644,546	3,366,446	1,278,100	37.97%	4,065,984	(699,538)	-17.20%
Closure and Post Closure Costs	13,940,619	12,902,623	1,037,996	8.04%	12,126,002	776,621	6.40%
Total Liabilities	25,668,167	22,419,019	3,249,148	14.49%	21,070,394	1,348,625	6.40%
Net Position:							
Invested in Capital Assets net of Related Debt	41,746,442	42,513,243	(766,801)	-1.80%	41,337,582	1,175,661	2.84%
Restricted by Board	5,132,623	2,140,470	2,992,153	139.79%	2,608,477	(468,007)	-17.94%
Restricted for Transfer Station closure	160,000	160,000	0	0.00%	157,232	2,768	1.76%
Unrestricted	6,802,605	8,467,066	(1,664,461)	-19.66%	7,577,342	889,724	11.74%
Total Net Position	$53,841,670	$53,280,779	$560,891	1.05%	$51,680,633	$1,600,146	3.10%

The table above shows that net assets increased $561 thousand in 2013 and $1.60 million in 2012. The increase in net assets for 2013 is primarily due to the increase of $4.0 million in restricted assets and a $933 thousand decrease in current liabilities, offset by increases of $1.28 million in long term debt. 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. 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 $13.94 million in 2013 and $12.9 million in 2012 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 Net Position

	FY 12/13	FY 11/12	Change	% Change	FY 10/11	Change	% Change
Operating Revenues	$26,865,810	$26,118,067	$747,743	2.86%	$24,709,213	$1,408,854	5.7%
Investment Income (Loss)	(344,085)	416,862	(760,947)	-182.54%	325,172	91,690	28.2%
Non-operating Revenues	136,814	236,431	(99,617)	-42.13%	167,043	69,388	41.5%
Total Revenues	26,658,539	26,771,360	(112,821)	-0.42%	25,201,428	1,569,932	6.2%
Operating Expense	20,627,988	19,223,136	1,404,852	7.31%	17,995,407	1,227,729	6.8%
Depreciation	5,308,576	5,751,552	(442,976)	-7.70%	5,325,744	425,808	8.0%
Non-operating Expense	161,084	196,526	(35,442)	-18.03%	227,012	(30,486)	-13.4%
Total Expenses	26,097,648	25,171,214	926,434	3.68%	23,548,163	1,623,051	6.9%
Change in Net Position	560,891	1,600,146			1,653,265		
Beginning Net Position	53,280,779	51,680,633			50,027,368		
Ending Net Position	$53,841,670	$53,280,779			$51,680,633		

While the Balance Sheet shows the change in net position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes. Table A-2 shows operating revenues increased by $748 thousand in 2013 and by $1.41 million in 2012. The increase for 2013 was due to the new fly-ash and liquid waste disposal programs, as well as additional revenue from contract management of the Altoona, Runnells, and Pleasant Hill service territories. 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 decrease in investment income for the year 2013 was due to an increase in short term interest rates which affected the unrealized gains/losses in long term bonds in the portfolio. The slight 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. Increased operating expenses for 2013 are mainly due to the contract hauling expenses for the new fly-ash disposal program as well as additional contract management for the Altoona, Runnells, and Pleasant Hill service territories.

CAPITAL ASSETS

Table A-3
Capital Assets

	FY 12/13	FY 11/12	Change	% Change	FY 10/11	Change	% Change
Land & Land Improvements	$18,587,532	$18,587,532	$0	0.00%	$18,339,141	$248,391	1.4%
Buildings & Building Improvements	24,264,525	22,778,290	1,486,235	6.52%	20,894,878	1,883,412	9.0%
Landfill Cell Development	17,311,031	16,430,702	880,329	5.36%	14,144,493	2,286,209	16.2%
Wetlands Treatment Facility	4,882,595	3,446,625	1,435,970	41.66%	3,446,625	-	0%
Equipment	25,952,566	24,002,497	1,950,069	8.12%	22,555,325	1,447,172	6.4%
Sub-total	90,998,249	85,245,646	5,752,603	6.75%	79,380,462	5,865,184	7.4%
Less: Accumulated depreciation	43,236,450	38,176,419	5,060,031	13.25%	32,673,320	5,503,099	16.8%
Net Capital Assets	$47,761,799	$47,069,227	$692,572	1.47%	$46,707,142	$362,085	0.8%

The increase in capital assets for 2013 was due to the building of the new Metro Hazardous Waste building at MHWD, a Humidification Silo at Metro Park East, and new equipment at the Metro Transfer Station, the purchase of a $600 thousand D7 Dozer, and continued construction of Sub Title D Cells at Metro Park East landfill. 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.

DEBT ADMINISTRATION

On October 1, 2012, Metro Waste Authority entered into a loan agreement with a bank for $4.4 million with an interest rate of 1.94%. Interest and principal is due quarterly each year through October 1, 2017. The proceeds from this loan were to build a Coal Combustion and Humidification Silo, refinance the Solid Waste Disposal Note, Series 2009, and build the MHWD addition and improvement.

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. This note was paid during 2013.

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.

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 2013	June 30 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 3,564,300	$ 6,350,094
Investments	5,543,490	3,945,123
Disposal fees receivable, less allowance for uncollectible accounts 2013 and 2012 $100,000	2,174,194	1,675,829
Prepaid expenses, accrued interest and other assets	467,651	426,462
Inventories	224,322	281,999
Current maturities of notes receivable	210,671	452,507
Total current assets	12,184,628	13,132,014
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents	847,771	1,805,980
Investments	18,715,402	13,690,977
Total assets whose use is limited	19,563,173	15,496,957
CAPITAL ASSETS		
Land and building—Metro Park East	39,227,724	36,734,538
Land and building—Metro Park West	7,227,752	7,170,693
Land—Grimes	712,505	712,505
Land and building—Transfer Station	4,120,532	4,120,532
Leasehold improvements—Metro Compost Center	1,449,447	1,449,447
Land and building—Regional Collection Center	1,499,338	1,499,338
Land and building—300 East Locust	7,737,257	7,641,119
Automobiles, trucks and other equipment	25,952,566	24,002,497
Construction in progress	3,071,128	1,914,977
	90,998,249	85,245,646
Less accumulated depreciation and amortization	43,236,450	38,176,419
Total capital assets	47,761,799	47,069,227
OTHER ASSET		
Notes receivable, net of current maturities	237	1,600
Total assets	$79,509,837	$75,699,798

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	June 30 2013	June 30 2012
CURRENT LIABILITIES		
Current portion of notes payable	$ 1,370,811	$ 1,189,538
Construction contracts payable	1,449,375	292,589
Trade accounts payable	2,004,156	2,422,237
Disposal fee rebates payable	233,155	223,401
Landfill tax payable	329,789	293,864
Accrued payroll and employee benefits	1,393,463	1,402,579
Other accrued expenses	302,253	325,742
Total current liabilities	7,083,002	6,149,950
LONG-TERM LIABILITIES		
Notes payable, less current portion	4,644,546	3,366,446
Accrued landfill closure and postclosure care costs	13,940,619	12,902,623
Total long-term liabilities	18,585,165	16,269,069
Total liabilities	25,668,167	22,419,019
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Invested in capital assets, net of related debt	41,746,442	42,513,243
Unrestricted	11,935,228	10,607,536
Restricted for transfer station closure	160,000	160,000
Total net position	53,841,670	53,280,779
Total liabilities and net position	$79,509,837	$75,699,798

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended June 30	
	2013	**2012**
REVENUES		
Landfill, transfer, compost, RCC, curbside recycling, and rental	$26,865,810	$26,118,067
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	19,084,041	17,871,941
Provision for landfill closure and postclosure care costs	1,543,947	1,351,195
Operating income before depreciation and amortization	6,237,822	6,894,931
DEPRECIATION AND AMORTIZATION		
Depreciation	3,513,636	3,877,884
Amortization	1,794,940	1,873,668
	5,308,576	5,751,552
Operating income	929,246	1,143,379
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	102,095	184,253
Investment income (loss)	(344,085)	416,862
Gain on sale of capital assets	8,640	30,509
Interest expense	(161,084)	(196,526)
Other	26,079	21,669
Total nonoperating revenues (expenses)	(368,355)	456,767
Increase in net position	560,891	1,600,146
NET POSITION, beginning of year	53,280,779	51,680,633
NET POSITION, end of year	$53,841,670	$53,280,779

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$26,353,896	$26,085,833
Cash paid to suppliers for goods and services	(13,530,787)	(12,409,159)
Cash paid to employees for services	(4,644,376)	(4,521,111)
Cash paid for host fees	(455,546)	(419,349)
Community clean up grants paid	(117,357)	(123,420)
Net cash provided by operating activities	7,605,830	8,612,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(2,940,627)	(813,576)
Proceeds from notes payable	4,400,000	–
Interest paid on notes payable	(152,238)	(201,567)
Additions to notes receivable	–	(185,484)
Principal collections on notes receivable	243,199	146,410
Purchase of capital assets	(5,528,198)	(5,020,462)
Proceeds from sale of capital assets	8,640	30,509
Payments for landfill cell closure	(505,951)	(574,574)
Net cash (used in) capital and related financing activities	(4,475,175)	(6,618,744)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	9,758,541	12,639,733
Purchases of investments	(17,155,109)	(12,400,439)
Interest received	393,736	335,514
Net cash received from farming and other activities	128,174	205,922
Net cash provided by (used in) investing activities	(6,874,658)	780,730
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,744,003)	2,774,780
CASH AND CASH EQUIVALENTS		
Beginning	8,156,074	5,381,294
Ending	$ 4,412,071	$ 8,156,074

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2013	**2012**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 929,246	$1,143,379
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	5,308,576	5,751,552
Provision for closure and postclosure costs	1,543,947	1,351,195
Changes in assets and liabilities		
(Increase) in disposal fees receivable	(498,365)	(46,801)
(Increase) decrease in prepaid expenses and other assets, net of investing activities	(5,234)	6,313
Decrease in inventories	57,677	109,710
Increase in payables, net of amounts for capital assets	279,099	321,574
(Decrease) in accrued payroll and benefits payable	(9,116)	(24,128)
Net cash provided by operating activities	$7,605,830	$8,612,794
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash and cash equivalents	$3,564,300	$6,350,094
Assets whose use is limited, cash and cash equivalents	847,771	1,805,980
Total per statement of cash flows	$4,412,071	$8,156,074

See 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.

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, 2013 and 2012, 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.

Net Position

Net position 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 net position consists of constraints placed on net position 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 net position 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 net position 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, 2013 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, 2013, the Authority's deposits and investments are as follows:

Deposits	
Money market funds	$ 691,252
Nonnegotiable certificates of deposit	160,000
Investments	
Certificates of deposit	1,192,069
U.S. Government agency securities	20,979,690
Foreign agency securities	199,856
U.S. Treasury securities	1,036,025
Total	$24,258,892

Credit Risk. The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2013, 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, 2013, more than 5% of the Authority's investments were invested in obligations of the following agencies: Federal National Mortgage Association 41.1%; Federal Home Loan Bank 15.5%; Federal Home Loan Mortgage Corporation 20.8% and Federal Farm Credit Bank 14.1%.

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, 2013: U.S. Treasury securities 2.68 years; U.S. Government agency securities 6.45 years; and certificates of deposit 1.67 years.

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2013 and 2012 were limited for the following purposes:

	June 30	
	2013	2012
Legally restricted assets whose use is limited		
For closure and postclosure care costs	$13,940,761	$12,902,623
For transfer station closure	160,000	160,000
Under escrow agreement	329,789	293,864
Total - legally restricted	14,430,550	13,356,487
Board designated assets whose use is limited		
For capital projects	3,684,852	731,470
For environmental contingencies	600,000	334,490
For debt repayment	847,771	1,074,510
Total - board designated	5,132,623	2,140,470
Total assets whose use is limited	$19,563,173	$15,496,957

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, 2013, capital asset additions and disposals by type were as follows:

	Balance July 1, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Metro Park East					
Land	$ 8,306,004	$ –	$ –	$ –	$ 8,306,004
Building	8,280,131	233,946	–	–	8,514,077
Landfill improvements	2,476,970	–	–	–	2,476,970
Landfill cell development	14,224,808	823,270	–	–	15,048,078
Wetlands treatment facility	3,446,625	1,435,970	–	–	4,882,595
	36,734,538	2,493,186	–	–	39,227,724
Metro Park West					
Land	4,550,910	–	–	–	4,550,910
Land improvements	254,454	–	–	–	254,454
Building	159,435	–	–	–	159,435
Landfill cell development	2,205,894	57,059	–	–	2,262,953
	7,170,693	57,059	–	–	7,227,752
Land—Grimes	712,505	–	–	–	712,505
Transfer Station					
Land	89,221	–	–	–	89,221
Land improvements	182,521	–	–	–	182,521
Building	3,848,790	–	–	–	3,848,790
	4,120,532	–	–	–	4,120,532
Metro Compost Center					
Leasehold improvements	1,449,447	–	–	–	1,449,447
Regional Collection Center					
Land	67,500	–	–	–	67,500
Building	1,431,838	–	–	–	1,431,838
	1,499,338	–	–	–	1,499,338
300 East Locust					
Land	498,000	–	–	–	498,000
Building	7,143,119	96,138	–	–	7,239,257
	7,641,119	96,138	–	–	7,737,257
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	646,059	16,772	–	144,178	807,009
Disposal	13,810,610	109,193	(23,616)	1,572,782	15,468,969
Transfer Station	2,852,708	347,272	(218,928)	–	2,981,052
Regional Collection Center	326,784	–	(6,001)	–	320,783
Recycling	4,340,561	–	–	–	4,340,561
Compost Facility	2,025,775	8,417	–	–	2,034,192
	24,002,497	481,654	(248,545)	1,716,960	25,952,566
Construction in progress	1,914,977	2,873,111	–	(1,716,960)	3,071,128
Totals	85,245,646	6,001,148	(248,545)	–	90,998,249
Less accumulated depreciation and amortization	(38,176,419)	(5,308,576)	248,545	–	(43,236,450)
Net capital assets	$47,069,227	$ 692,572	$ –	$ –	$47,761,799

NOTE 4 CAPITAL ASSETS (continued)

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)

Land with a carrying value of approximately $8,210,000 was not used in the landfill operations as of June 30, 2013 and 2012. Of this amount, approximately $6,977,000 was leased or farmed as farmland as of June 30, 2013 and 2012.

At June 30, 2013, contract commitments of approximately $3,065,000 remain on various Authority engineering and construction contracts for the Metro Hazardous Waste Dropoff Building Addition, the Cell C North Liner and Leachate System at Metro Park East and the Coal Combustion and Residue Silo and Humidification at Metro Park East.

NOTE 5 NOTES PAYABLE

Notes payable at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Solid Waste note payable	$3,978,911	$ –
Solid Waste Disposal Revenue Note, Series 2009	–	2,185,000
Note payable	1,661,646	1,836,984
Farm installment contract	350,000	490,000
Solid Waste Alternates Program	24,800	44,000
	6,015,357	4,555,984
Less current portion	1,370,811	1,189,538
Long-term debt	$4,644,546	$3,366,446

Solid Waste Note Payable

The Authority entered into a loan agreement with a bank on October 1, 2012 for the purposes of building the Coal Combustion and Residue Silo and Humidification at Metro Park East and refinancing the Solid Waste Disposal Revenue Note, Series 2009. The note is payable in quarterly principal payments due on January 1, April 1, June 1 and October 1 each year through October 1, 2017. Interest is also payable quarterly on January 1, April 1, June 1 and October 1 at 1.94%. The note is secured by future net revenues of the Authority. For the current year, $60,959 in interest was expensed on the note.

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 was payable in annual principal installments due on June 1 each year through June 1, 2016. Interest was payable semiannually each June 1 and December 1, with an interest rate of 3.79%. The Note was secured solely by future net revenues of the Authority. Annual principal and interest payments were expected to require less than the net revenues of the system. For the current year, $16,264 in interest was expensed on the Note. The Note was refinanced on October 1, 2012.

Note payable

The Authority purchased the North Dallas Landfill in April 2009. The note is payable in annual installments of $200,000 from April 2014 through 2023. Installment payments include principal and interest at 3.52%. For the current year, $63,444 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, $20,417 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, 2013 are summarized as follows:

Year ending June 30	Principal	Interest	Total
2014	$1,370,811	$ 145,239	$1,516,050
2015	1,017,691	107,810	1,125,501
2016	1,039,872	85,629	1,125,501
2017	1,062,567	62,933	1,125,500
2018	621,917	40,833	662,750
2019-2023	902,499	97,501	1,000,000
Totals	$6,015,357	$ 539,945	$6,555,302

A summary of changes in notes payable for the year ended June 30, 2013 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Solid Waste note payable	$ –	$4,400,000	$ 421,089	$3,978,911	$ 854,501
Solid Waste Disposal Revenue Note 2009	2,185,000	–	2,185,000	–	–
Note payable	1,836,984	–	175,338	1,661,646	141,510
Farm installment contract	490,000	–	140,000	350,000	350,000
Solid Waste Alternatives Program note	44,000	–	19,200	24,800	24,800
Totals	$4,555,984	$4,400,000	$2,940,627	$6,015,357	$1,370,811

NOTE 5 NOTES PAYABLE (continued)

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 6 OPERATING LEASES

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2013, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

Year ending June 30	
2014	$ 385,000
2015	248,000
2016	169,000
2017	135,000
2018	39,000
	$ 976,000

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 care, 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, 2013 and 2012:

	June 30	
	2013	2012
Postclosure care	$ 8,733,580	$ 8,511,525
Landfill closure	5,207,039	4,391,098
Totals	$13,940,619	$12,902,623

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2013 and 2012 is as follows:

	Year ended June 30	
	2013	2012
Provision for postclosure care	$ 643,303	$ 286,330
Provision for landfill closure	900,644	1,064,865
Totals	$1,543,947	$1,351,195

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately $16,710,000 as of June 30, 2013, and the portion of the liability that has been recognized is $13,940,619. This liability represents the cumulative amount reported to date based on the use of approximately 78 percent of the capacity of the landfill less payments for cell closure, with a remaining life of 44 years. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2013 and 2012. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the balance sheet and total $13,940,619 as of June 30, 2013.

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 which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which 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.

The total closure care costs for the Authority as of June 30, 2013 have been estimated at $160,000. The balance has been restricted and is fully funded at June 30, 2013.

NOTE 9 SOLID WASTE TONNAGE FEES RETAINED

The Authority has established an account for restricting and using 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, 2013 and 2012, 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 5.78% of their annual covered salary and the Authority is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were $404,212, $362,671 and $295,290, respectively, equal to the required contributions for each year.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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. There are 29 active members and 1 retired member in the plan. The Authority pays the insurance premiums based on the rate of coverage for a single employee until the retired employee reaches age 65. Expense under this plan totaled $5,056 for 2013 and $7,584 for 2012.

NOTE 12 NOTES RECEIVABLE

Notes receivable at June 30, 2013 consist of the following:

Tenant loan receivable, monthly payments due of $120 including interest at 7.8%, matures November 2014.	$1,600
Notes receivable from nine area cities for construction cost related to a salt storage building, total annual payments due of approximately $209,000 including interest at 5% through June 2014.	209,308
Total	$ 210,908

NOTE 12 NOTES RECEIVABLE (continued)

Maturities of notes receivable at June 30, 2013 are summarized as follows:

Year ending June 30	
2014	$ 210,671
2015	237
Total	$ 210,908

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, 2013, receivables from four customers totaled approximately $785,000, or 36% 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, 2013 and 2012, and have issued our reports thereon dated November 14, 2013 and November 19, 2012, respectively, which contained an unmodified 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 relates 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, 2004 through 2011, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2013

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, 2013

	Combined	Metro Park East Landfill
REVENUES		
Tipping fees, service fees and rental revenue	$26,865,810	$10,628,506
EXPENSES		
Operating expenses (excluding depreciation and amortization)	19,084,041	6,275,173
Provision for landfill closure and postclosure care costs	1,543,947	730,461
Total operating expenses	20,627,988	7,005,634
Operating income (loss) before depreciation and amortization	6,237,822	3,622,872
DEPRECIATION AND AMORTIZATION		
Depreciation	3,513,636	1,403,263
Amortization	1,794,940	1,794,940
	5,308,576	3,198,203
Operating income (loss)	929,246	424,669
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	102,095	99,431
Investment income (loss)	(344,085)	–
Interest expense	(161,084)	(42,280)
Gain on sale of assets	8,640	–
Other	26,079	22,668
Total nonoperating revenues (expenses)	(368,355)	79,819
Increase (decrease) in net position	$ 560,891	$ 504,488

*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*
$1,163,217	$6,070,881	$2,330,069	$ 628,894	$3,304,900	$ 608,665	$2,130,678
564,997	1,599,345	1,976,207	801,296	3,022,230	478,242	4,366,551
813,486	–	–	–	–	–	–
1,378,483	1,599,345	1,976,207	801,296	3,022,230	478,242	4,366,551
(215,266)	4,471,536	353,862	(172,402)	282,670	130,423	(2,235,873)
598,496	468,422	233,900	105,147	443,883	204,270	56,255
–	–	–	–	–	–	–
598,496	468,422	233,900	105,147	443,883	204,270	56,255
(813,762)	4,003,114	119,962	(277,549)	(161,213)	(73,847)	(2,292,128)
2,664	–	–	–	–	–	–
–	–	–	–	–	178	(344,263)
(63,444)	–	–	(17,386)	(37,974)	–	–
–	–	–	–	–	–	8,640
–	–	–	1,073	–	–	2,338
(60,780)	–	–	(16,313)	(37,974)	178	(333,285)
$ (874,542)	$4,003,114	$ 119,962	$ (293,862)	$ (199,187)	$ (73,669)	$(2,625,413)

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2013

	Combined	Metro Park East Landfill
Salaries	$ 4,635,260	$2,027,891
Payroll taxes	771,871	336,207
Benefits	974,910	445,023
Site maintenance	659,810	398,224
Recycling programs	4,666,986	–
Vehicle repairs and maintenance	826,446	495,106
Vehicle fuel	1,237,111	849,910
Computer maintenance	82,333	21,195
Minor equipment	70,303	46,882
Professional services	416,558	125,083
Engineering services	485,477	338,357
Graphics design/contract printing	33,811	7,949
Contract disposal	489,660	278,551
Property taxes and host fees	399,680	140,172
Telephone and utilities	266,361	108,648
Building and office supplies	244,394	89,881
Advertising	337,831	46,668
Travel	102,464	29,360
Postage	14,558	1,462
Credit card discount	181,786	181,786
Miscellaneous	85,607	24,947
Insurance	196,562	79,343
Leachate processing	195,304	182,647
Investment expense	31,439	–
Machinery and equipment rental	5,791	1,847
Office and facilities rent	212,800	–
Yard waste collection and bags	1,317,494	–
Community cleanup grants	117,357	–
Environmental Management System	24,077	18,034
Total operating expenses, excluding depreciation and amortization	$19,084,041	$6,275,173

*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*
$ 273,186	$ 741,328	$ 255,231	$ 329,511	$ 174,928	$ –	$ 833,185
43,964	124,665	41,672	57,837	29,418	–	138,108
45,021	123,153	55,641	89,789	36,596	–	179,687
40,049	51,358	6,561	8,492	7,838	147,288	–
–	–	–	–	2,551,444	–	2,115,542
11,363	172,996	113,098	5,344	28,539	–	–
45,404	261,555	67,650	9,711	–	–	2,881
2,795	400	1,200	7,102	–	–	49,641
3,066	1,928	4,763	2,948	375	–	10,341
–	–	–	–	–	–	291,475
52,436	14,858	750	–	–	–	79,076
524	243	–	295	18,997	–	5,803
–	–	–	112,579	94,924	3,606	–
–	29,023	–	28,451	–	202,034	–
5,799	21,384	3,847	40,561	–	52,561	33,561
8,702	20,530	5,415	26,074	394	51,129	42,269
816	2,417	43,135	53,149	61,935	–	129,711
3,067	51	2,232	9,281	7,608	–	50,865
67	–	–	2,081	589	–	10,359
–	–	–	–	–	–	–
301	1,829	2,478	2,206	845	534	52,467
13,082	31,627	13,794	15,885	7,800	21,090	13,941
12,657	–	–	–	–	–	–
–	–	–	–	–	–	31,439
2,698	–	1,246	–	–	–	–
–	–	40,000	–	–	–	172,800
–	–	1,317,494	–	–	–	–
–	–	–	–	–	–	117,357
–	–	–	–	–	–	6,043
$ 564,997	$1,599,345	$1,976,207	$ 801,296	$3,022,230	$ 478,242	$4,366,551

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	Year ended		
	2013	**2012**	**2011**
REVENUES	$26,865,810	$26,118,067	$24,709,213
EXPENSES			
Operating expenses (excluding depreciation and amortization)	19,084,041	17,871,941	16,227,319
Provision for landfill closure and postclosure care costs	1,543,947	1,351,195	1,768,088
Operating income before depreciation and amortization	6,237,822	6,894,931	6,713,806
DEPRECIATION AND AMORTIZATION			
Depreciation	3,513,636	3,877,884	3,445,727
Amortization	1,794,940	1,873,668	1,880,017
	5,308,576	5,751,552	5,325,744
Operating income	929,246	1,143,379	1,388,062
NONOPERATING REVENUES (EXPENSES)			
Farm income (loss), net of related expenses	102,095	184,253	50,372
Investment income (loss)	(344,085)	416,862	325,172
Gain on sale of land and capital assets	8,640	30,509	8,312
Interest expense	(161,084)	(196,526)	(227,012)
Other	26,079	21,669	108,359
Total nonoperating revenues (expenses)	(368,355)	456,767	265,203
Increase in net position	$ 560,891	$ 1,600,146	$1,653,265
Percent increase (decrease) from prior period			
Revenues	2.86%	5.70%	9.93%
Operating expenses excluding depreciation and amortization	6.78%	10.13%	4.77%
Provision for depreciation and amortization	(7.70)%	8.00%	(2.93)%
Tonnage delivered to landfill (unaudited)	575,553	551,228	561,792
Compost tonnage (unaudited)	32,611	32,937	32,569

* 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						
2010	**2009**	**2008**	**2007**	**2006***	**2005**	**2004**
$22,476,221	$22,334,440	$21,416,712	$19,472,340	$18,497,337	$17,499,045	$17,969,015
15,489,209	15,715,024	13,899,799	12,570,040	11,791,128	11,522,222	11,555,055
1,407,606	1,266,388	998,862	1,119,852	(4,080,754)	1,553,488	1,443,120
5,579,406	5,353,028	6,518,051	5,782,448	10,786,963	4,423,335	4,970,840
3,298,212	2,659,138	2,891,392	2,391,022	2,169,425	2,074,819	2,066,298
2,188,400	2,388,956	1,895,793	725,400	725,400	620,645	772,952
5,486,612	5,048,094	4,787,185	3,116,422	2,894,825	2,695,464	2,839,250
92,794	304,934	1,730,866	2,666,026	7,892,138	1,727,871	2,131,590
107,322	(64,124)	75,933	92,584	1,895	13,924	38,771
655,857	800,914	1,431,260	1,730,338	801,886	796,773	237,312
4,170	–	88,106	184,602	4,000	18,038	–
(254,632)	(119,877)	(126,549)	(320,253)	(127,154)	(94,187)	(115,820)
56,740	45,935	22,740	25,641	17,715	24,185	(1,970)
569,457	662,848	1,491,490	1,712,912	698,342	758,733	158,293
$ 662,251	$ 967,782	$ 3,222,356	$ 4,378,938	$ 8,590,480	$ 2,486,604	$ 2,289,883
0.63%	4.29%	9.99%	5.27%	5.70%	(2.62)%	3.95%
(1.44)%	13.06%	10.58%	6.61%	2.33%	(.28)%	8.72%
8.69%	5.45%	53.61%	7.65%	7.40%	(5.06)%	9.54%
548,384	560,468	552,349	495,203	490,599	479,095	513,566
32,664	30,385	24,990	25,421	20,447	20,590	19,209

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Metro Waste Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metro Waste Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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, 2013 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2013

Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2013

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, 2013

Part II—Findings Related to Required Statutory Reporting

13-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

13-II-B TRAVEL EXPENSE

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

13-II-C BOARD MINUTES

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

13-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.

13-II-E SOLID WASTE FEES RETAINAGE

During the year ended June 30, 2013, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

13-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, 2013	$5,207,039	$8,733,580
Less balance of funds held in the local dedicated fund at June 30, 2013	5,207,039	8,733,580
	–	–
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, 2013	$ –	$ –
Required balance of funds held in the local dedicated fund at June 30, 2013	$5,207,039	$8,733,580
Amount Authority has restricted for closure and postclosure care at June 30, 2013	$5,207,039	$8,733,580