

**Metro Waste Authority
Des Moines, Iowa**

FINANCIAL REPORT

June 30, 2014

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**Metro Waste Authority
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Keith Ryan	Chair	Bondurant
Michael McCoy	Vice Chair	Clive
Dean O'Connor	Member	Altoona
Mark Holm	Member	Ankeny
Skip Moore	Member	Des Moines
Kevin Smith	Member	Elkhart
Tom Armstrong	Member	Grimes
Gerd Clabaugh	Member	Johnston
Jeremy Filbert	Member	Mitchellville
Jaki Livingston	Member	Norwalk
Barb Malone	Member	Pleasant Hill
Dan Lane	Member	Polk City
Tom Hockensmith	Member	Polk County
Richard Battani	Member	Runnells
Ron Pogge	Member	Urbandale
Kevin Trevillyan	Member	West Des Moines
Diana Willits	Member	Windsor Heights
Reo Menning	Secretary	
Planning Area Members		
Bill Bodensteiner		Alleman
Ruth Randleman		Carlisle
Larry Bohlen		Hartford
Gary Bartels		Mingo
Chad Alleger		Prairie City
Don Towers		Sheldahl
Reo Menning	Executive Director of Authority	
Grant Johnson	Chief Financial Officer	



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, 2014 and 2013, 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, 2014 and 2013, 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.

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 6-10 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 6, 2014, 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

West Des Moines, Iowa
November 6, 2014

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, 2014, 2013 and 2012. 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 2014 and 2013:

- Operating revenues increased by 13.9% for 2014 and by 2.9% for 2013. The increase for 2014 was due to increased construction and demolition revenue, revenue from increased compost sales, as well as additional revenue from contract management of the Metro Waste Authority member communities and additional liquid waste disposal. 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 additional MWA service territories.
- The increase in investment income for the year 2014 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 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 increase in non-operating revenue for 2014 was due to an increase in investment income, and decrease in interest expense. The decrease in non-operating revenue for 2013 was due to a decrease in net farm income.
- The increase in capital assets for 2014 was due to the completion of the Silo and Humidification system, the purchase of a scraper pull unit, track loader, lube truck, evaporator system, building improvements at Metro Park East, the purchase of transfer trailers for the Metro Transfer Station, the completion of the Metro Hazardous Waste Drop-Off building, the purchase of additional property at Metro Park West, and continued building of Sub Title D Cells at the Metro Park East Landfill. 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, and continued building of Sub Title D Cells at the Metro Park East Landfill.
- Increased operating expenses for 2014 were due to increased fuel costs and engineering costs, as well as increased contract management expense for the hauling contract for MWA member communities. 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.

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 13/14	FY 12/13	Change	% Change	FY 11/12	Change	% Change
Current and Other Assets	\$9,627,763	\$12,184,865	(\$2,557,102)	(20.99%)	\$13,133,614	(\$948,749)	(7.22%)
Restricted Assets	31,063,882	19,563,173	11,500,709	58.79%	15,496,957	4,066,216	26.24%
Capital Assets	48,772,901	47,761,799	1,011,102	2.12%	47,069,227	692,572	1.47%
Total Assets	89,464,546	79,509,837	9,954,709	12.52%	75,699,798	3,810,039	5.03%
Current Liabilities	5,451,637	7,083,002	(1,631,365)	(23.03%)	6,149,950	933,052	15.17%
Long-term Debt Outstanding	13,277,923	4,644,546	8,633,377	185.88%	3,366,446	1,278,100	37.97%
Closure and Post Closure Costs	14,508,605	13,940,619	567,986	4.07%	12,902,623	1,037,996	8.04%
Total Liabilities	33,238,165	25,668,167	7,569,998	29.49%	22,419,019	3,249,148	14.49%
Net Position:							
Invested in Capital Assets net of Related Debt	43,918,356	41,746,442	(7,828,086)	(18.75%)	42,513,243	(766,801)	(1.80%)
Restricted by Board	6,054,830	5,132,623	10,922,207	212.80%	2,140,470	2,992,153	139.79%
Restricted for Transfer							
Station closure	160,000	160,000	—	0.00%	160,000	—	0.00%
Unrestricted	6,093,195	6,802,605	(709,410)	(10.43%)	8,467,066	(1,664,461)	(19.66%)
Total Net Position	\$56,226,381	\$53,841,670	\$ 2,384,711	4.43%	\$53,280,779	\$560,891	1.05%

The table above shows that net assets increased \$2.38 million in 2014 and \$561 thousand in 2013. The increase in net assets for 2014 is due to a \$11.5 million increase in restricted assets and a decrease of \$1.63 million in current liabilities, along with a \$8.63 million increase in long term debt, as well as a decrease in current assets of \$2.56 million. The increase in net assets for 2013 is primarily due to the increase of \$4.0 million in restricted assets and a \$933 thousand increase in current liabilities, offset by increases of \$1.28 million in long term debt. 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 \$14.51 million in 2014 and \$13.94 million in 2013 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 13/14	FY 12/13	Change	%	FY 11/12	Change	%
Operating Revenues	\$30,622,815	\$26,865,810	\$3,757,005	13.98%	\$26,118,067	\$747,743	2.86%
Investment Income (Loss)	474,451	(344,085)	818,536	237.89%	416,862	(760,947)	(182.54%)
Non-operating Revenues	(209,581)	136,814	(346,395)	(253.19%)	236,431	(99,617)	(42.13%)
Total Revenues	30,887,685	26,658,539	4,229,146	15.86%	26,771,360	(112,821)	(0.42%)
Operating Expense	22,618,067	20,627,988	1,990,079	9.65%	19,223,136	1,404,852	7.31%
Depreciation	5,739,994	5,308,576	431,418	8.13%	5,751,552	(442,976)	(7.70%)
Non-operating Expense	144,913	161,084	(16,171)	(10.04%)	196,526	(35,442)	(18.03%)
Total Expenses	28,502,974	26,097,648	2,405,326	9.22%	25,171,214	926,434	3.68%
Change in Net Position	2,384,711	560,891			1,600,146		
Beginning Net Position	53,841,670	53,280,779			51,680,633		
Ending Net Position	\$56,226,381	\$53,841,670			\$53,280,779		

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 \$3.76 million in 2014 and by \$748 thousand in 2013. The increase for 2014 was due to increased construction and demolition revenue, revenue from increased compost sales, as well as additional revenue from contract management of the Metro Waste Authority member communities and additional liquid waste disposal. 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 additional MWA service territories. The increase in investment income for the year 2014 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 2013 was due to an increase in short term interest rates which affected the unrealized gains/losses in long term bonds in the portfolio. Increased operating expenses for 2014 were due to increased fuel costs and engineering costs, as well as increased contract management expense for the hauling contract for MWA member communities. 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.

CAPITAL ASSETS

**Table A-3
Capital Assets**

	FY 13/14	FY 12/13	Change	%	FY 11/12	Change	%
Land & Land Improvements	\$18,708,128	\$18,587,532	\$120,596	0.65%	\$18,587,532	\$0	0.00%
Buildings & Building Improvements	24,467,196	24,264,525	202,671	0.84%	22,778,290	1,486,235	6.52%
Landfill Cell Development	19,351,976	17,311,031	2,040,945	11.79%	16,430,702	880,329	5.36%
Wetlands Treatment Facility	4,408,832	4,882,595	(473,763)	(9.70%)	3,446,625	1,435,970	41.66%
Equipment	30,434,455	25,952,566	4,481,889	17.27%	24,002,497	1,950,069	8.12%
Sub-total	97,370,587	90,998,249	6,372,338	7.00%	85,245,646	5,752,603	6.75%
Less: Accumulated depreciation	48,597,686	43,236,450	5,361,236	12.40%	38,176,419	5,060,031	13.25%
Net Capital Assets	\$48,772,901	\$47,761,799	\$1,011,102	2.12%	\$47,069,227	\$692,572	1.47%

The increase in capital assets for 2014 was due to the completion of the \$2 million Silo and Humidification system, the purchase of a \$600 thousand scraper pull unit, a \$328 thousand track loader, a lube truck, evaporator system, building improvements at Metro Park East, the purchase of transfer trailers for the Metro Transfer Station, the completion of the \$1.3 million Metro Hazardous Waste Drop-Off building, the purchase of additional property at Metro Park West, and continued building of Sub Title D Cells at the Metro Park East Landfill. 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 \$600 thousand 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, and continued building of Sub Title D Cells at the Metro Park East Landfill.

DEBT ADMINISTRATION

On June 25, 2014, Metro Waste Authority entered into a loan agreement with a bank for \$10.0 million with an interest rate of 4.28%. Interest and principal is due monthly each year through June 1, 2024. The proceeds from this loan are to be used to build the Metro Northwest Transfer Station located in Grimes, Iowa.

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 was 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	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,565,493	\$ 3,564,300
Investments	3,179,293	5,543,490
Disposal fees receivable, less allowance for uncollectible accounts 2014 and 2013 \$100,000	2,067,215	2,174,194
Prepaid expenses, accrued interest and other assets	528,198	467,651
Inventories	287,327	224,322
Current maturities of notes receivable	<u>237</u>	<u>210,671</u>
Total current assets	<u>9,627,763</u>	<u>12,184,628</u>
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents	954,143	847,771
Investments	<u>30,109,739</u>	<u>18,715,402</u>
Total assets whose use is limited	<u>31,063,882</u>	<u>19,563,173</u>
CAPITAL ASSETS		
Land and building—Metro Park East	41,005,846	39,227,724
Land and building—Metro Park West	7,388,131	7,227,752
Land—Grimes	712,505	712,505
Land and building—Transfer Station	4,214,330	4,120,532
Leasehold improvements—Metro Compost Center	1,449,447	1,449,447
Land and building—Regional Collection Center	1,576,617	1,499,338
Land and building—300 East Locust	7,977,045	7,737,257
Automobiles, trucks and other equipment	30,434,455	25,952,566
Construction in progress	<u>2,612,211</u>	<u>3,071,128</u>
	97,370,587	90,998,249
Less accumulated depreciation and amortization	<u>48,597,686</u>	<u>43,236,450</u>
Total capital assets	<u>48,772,901</u>	<u>47,761,799</u>
OTHER ASSET		
Notes receivable, net of current maturities	<u>—</u>	<u>237</u>
Total assets	<u>\$89,464,546</u>	<u>\$79,509,837</u>

See Notes to Financial Statements.

	June 30	
	2014	2013
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 1,576,622	\$ 1,370,811
Construction contracts payable	55,669	1,449,375
Trade accounts payable	1,395,008	2,004,156
Disposal fee rebates payable	239,305	233,155
Landfill tax payable	340,448	329,789
Accrued payroll and employee benefits	1,509,844	1,393,463
Other accrued expenses	<u>334,741</u>	<u>302,253</u>
Total current liabilities	<u>5,451,637</u>	<u>7,083,002</u>
LONG-TERM LIABILITIES		
Notes payable, less current portion	13,277,923	4,644,546
Accrued landfill closure and postclosure care costs	<u>14,508,605</u>	<u>13,940,619</u>
Total long-term liabilities	<u>27,786,528</u>	<u>18,585,165</u>
Total liabilities	<u>33,238,165</u>	<u>25,668,167</u>
NET POSITION		
Invested in capital assets, net of related debt	43,918,356	41,746,442
Unrestricted	12,148,025	11,935,228
Restricted for transfer station closure	<u>160,000</u>	<u>160,000</u>
Total net position	<u>56,226,381</u>	<u>53,841,670</u>
	<hr/>	<hr/>
Total liabilities and net position	<u>\$89,464,546</u>	<u>\$79,509,837</u>

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

	<u>Year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
REVENUES		
Landfill, transfer, compost, RCC, curbside recycling, and rental	\$30,622,815	\$26,865,810
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	21,069,975	19,084,041
Provision for landfill closure and postclosure care costs	<u>1,548,092</u>	<u>1,543,947</u>
Operating income before depreciation and amortization	<u>8,004,748</u>	<u>6,237,822</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	3,877,283	3,513,636
Amortization	<u>1,862,711</u>	<u>1,794,940</u>
	<u>5,739,994</u>	<u>5,308,576</u>
Operating income	<u>2,264,754</u>	<u>929,246</u>
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	21,439	102,095
Investment income (loss)	474,451	(344,085)
Gain (loss) on sale of capital assets	(238,539)	8,640
Interest expense	(144,913)	(161,084)
Other	<u>7,519</u>	<u>26,079</u>
Total nonoperating revenues (expenses)	<u>119,957</u>	<u>(368,355)</u>
Increase in net position	<u>2,384,711</u>	<u>560,891</u>
NET POSITION , beginning of year	<u>53,841,670</u>	<u>53,280,779</u>
NET POSITION , end of year	<u>\$56,226,381</u>	<u>\$53,841,670</u>

**Metro Waste Authority
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$30,753,996	\$26,353,896
Cash paid to suppliers for goods and services	(15,967,062)	(13,530,787)
Cash paid to employees for services	(4,767,232)	(4,644,376)
Cash paid for host fees	(410,715)	(455,546)
Community clean up grants paid	(114,907)	(117,357)
Net cash provided by operating activities	9,494,080	7,605,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(1,160,812)	(2,940,627)
Proceeds from notes payable	10,000,000	4,400,000
Interest paid on notes payable	(145,240)	(152,238)
Principal collections on notes receivable	210,671	243,199
Purchase of capital assets	(8,805,472)	(5,528,198)
Proceeds from sale of capital assets	10,759	8,640
Payments for landfill cell closure	(980,106)	(505,951)
Net cash (used in) capital and related financing activities	(870,200)	(4,475,175)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	7,689,695	9,758,541
Purchases of investments	(16,733,258)	(17,155,109)
Interest received	498,290	393,736
Net cash received from farming and other activities	28,958	128,174
Net cash (used in) investing activities	(8,516,315)	(6,874,658)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,565	(3,744,003)
CASH AND CASH EQUIVALENTS		
Beginning	4,412,071	8,156,074
Ending	\$ 4,519,636	\$ 4,412,071

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$2,264,754	\$ 929,246
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	5,739,994	5,308,576
Provision for closure and postclosure costs	1,548,092	1,543,947
Changes in assets and liabilities		
Disposal fees receivable	106,979	(498,365)
Prepaid expenses and other assets, net of investing activities	(70,963)	(5,234)
Inventories	(63,005)	57,677
Payables, net of amounts for capital assets	(148,152)	279,099
Accrued payroll and benefits payable	<u>116,381</u>	<u>(9,116)</u>
Net cash provided by operating activities	<u>\$9,494,080</u>	<u>\$7,605,830</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash and cash equivalents	\$3,565,493	\$3,564,300
Assets whose use is limited, cash and cash equivalents	<u>954,143</u>	<u>847,771</u>
Total per statement of cash flows	<u>\$4,519,636</u>	<u>\$4,412,071</u>

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. 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.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013, 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).

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

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:

<u>Type</u>	<u>Method</u>
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.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2014 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, 2014, the Authority's deposits and investments are as follows:

Deposits	
Money market funds	\$10,332,380
Nonnegotiable certificates of deposit	160,000
Investments	
Certificates of deposit	1,630,291
U.S. Government agency securities	20,138,868
U.S. Treasury securities	<u>1,027,493</u>
 Total	 <u>\$33,289,032</u>

Credit Risk. The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2014, 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 25% of the portfolio. At June 30, 2014, more than 5% of the Authority's investments were invested in obligations of the following agencies: Federal National Mortgage Association 36.2%; Federal Home Loan Bank 14.9%; Federal Home Loan Mortgage Corporation 29.2% and Federal Farm Credit Bank 14.3%.

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, 2014: U.S. Treasury securities 2.40 years; U.S. Government agency securities 3.83 years; and certificates of deposit 1.87 years.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2014 and 2013 were limited for the following purposes:

	June 30	
	<u>2014</u>	<u>2013</u>
Legally restricted assets whose use is limited		
For closure and postclosure care costs	\$14,508,605	\$13,940,761
For transfer station closure	160,000	160,000
Under escrow agreement	<u>340,447</u>	<u>329,789</u>
Total - legally restricted	<u>15,009,052</u>	<u>14,430,550</u>
Board designated assets whose use is limited		
For capital projects	14,500,687	3,684,852
For environmental contingencies	600,000	600,000
For debt repayment	<u>954,143</u>	<u>847,771</u>
Total - board designated	<u>16,054,830</u>	<u>5,132,623</u>
Total assets whose use is limited	<u>\$31,063,882</u>	<u>\$19,563,173</u>

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.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

During the year ended June 30, 2014, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Metro Park East					
Land	\$ 8,306,004	\$ 18,591	\$ -	\$ -	\$ 8,324,595
Building	8,514,077	192,349	-	-	8,706,426
Landfill improvements	2,476,970	-	-	-	2,476,970
Landfill cell development	15,048,078	230,060	(330,577)	2,141,462	17,089,023
Wetlands treatment facility	4,882,595	-	(473,763)	-	4,408,832
	<u>39,227,724</u>	<u>441,000</u>	<u>(804,340)</u>	<u>2,141,462</u>	<u>41,005,846</u>
Metro Park West					
Land	4,550,910	100,339	-	-	4,651,249
Land improvements	254,454	-	-	-	254,454
Building	159,435	-	-	60,040	219,475
Landfill cell development	2,262,953	-	-	-	2,262,953
	<u>7,227,752</u>	<u>100,339</u>	<u>-</u>	<u>60,040</u>	<u>7,388,131</u>
Land—Grimes	<u>712,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,505</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	182,521	-	-	-	182,521
Building	3,848,790	-	-	93,798	3,942,588
	<u>4,120,532</u>	<u>-</u>	<u>-</u>	<u>93,798</u>	<u>4,214,330</u>
Metro Compost Center					
Leasehold improvements	<u>1,449,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,449,447</u>
Regional Collection Center					
Land	67,500	1,666	-	-	69,166
Building	1,431,838	55,593	-	20,020	1,507,451
	<u>1,499,338</u>	<u>57,259</u>	<u>-</u>	<u>20,020</u>	<u>1,576,617</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,239,257	159,011	-	80,777	7,479,045
	<u>7,737,257</u>	<u>159,011</u>	<u>-</u>	<u>80,777</u>	<u>7,977,045</u>
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	807,009	42,281	-	-	849,290
Disposal	15,468,969	1,892,588	(153,705)	2,308,485	19,516,337
Transfer Station	2,981,052	113,612	-	191,349	3,286,013
Regional Collection Center	320,783	75,729	-	-	396,512
Recycling	4,340,561	-	-	-	4,340,561
Compost Facility	2,034,192	11,550	-	-	2,045,742
	<u>25,952,566</u>	<u>2,135,760</u>	<u>(153,705)</u>	<u>2,499,834</u>	<u>30,434,455</u>
Construction in progress	<u>3,071,128</u>	<u>4,833,980</u>	<u>(396,966)</u>	<u>(4,895,931)</u>	<u>2,612,211</u>
Totals	90,998,249	7,727,349	(1,355,011)	-	97,370,587
Less accumulated depreciation and amortization	(43,236,450)	(5,739,994)	378,758	-	(48,597,686)
Net capital assets	<u>\$47,761,799</u>	<u>\$1,987,355</u>	<u>\$ (976,253)</u>	<u>\$ -</u>	<u>\$48,772,901</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

During the year ended June 30, 2013, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
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	<u>3,446,625</u>	<u>1,435,970</u>	<u>—</u>	<u>—</u>	<u>4,882,595</u>
	<u>36,734,538</u>	<u>2,493,186</u>	<u>—</u>	<u>—</u>	<u>39,227,724</u>
Metro Park West					
Land	4,550,910	—	—	—	4,550,910
Land improvements	254,454	—	—	—	254,454
Building	159,435	—	—	—	159,435
Landfill cell development	<u>2,205,894</u>	<u>57,059</u>	<u>—</u>	<u>—</u>	<u>2,262,953</u>
	<u>7,170,693</u>	<u>57,059</u>	<u>—</u>	<u>—</u>	<u>7,227,752</u>
Land—Grimes	<u>712,505</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>712,505</u>
Transfer Station					
Land	89,221	—	—	—	89,221
Land improvements	182,521	—	—	—	182,521
Building	<u>3,848,790</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,848,790</u>
	<u>4,120,532</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,120,532</u>
Metro Compost Center					
Leasehold improvements	<u>1,449,447</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,449,447</u>
Regional Collection Center					
Land	67,500	—	—	—	67,500
Building	<u>1,431,838</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,431,838</u>
	<u>1,499,338</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,499,338</u>
300 East Locust					
Land	498,000	—	—	—	498,000
Building	<u>7,143,119</u>	<u>96,138</u>	<u>—</u>	<u>—</u>	<u>7,239,257</u>
	<u>7,641,119</u>	<u>96,138</u>	<u>—</u>	<u>—</u>	<u>7,737,257</u>
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	<u>2,025,775</u>	<u>8,417</u>	<u>—</u>	<u>—</u>	<u>2,034,192</u>
	<u>24,002,497</u>	<u>481,654</u>	<u>(248,545)</u>	<u>1,716,960</u>	<u>25,952,566</u>
Construction in progress	<u>1,914,977</u>	<u>2,873,111</u>	<u>—</u>	<u>(1,716,960)</u>	<u>3,071,128</u>
Totals	85,245,646	6,001,148	(248,545)	—	90,998,249
Less accumulated depreciation and amortization	<u>(38,176,419)</u>	<u>(5,308,576)</u>	<u>248,545</u>	<u>—</u>	<u>(43,236,450)</u>
Net capital assets	<u>\$47,069,227</u>	<u>\$ 692,572</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$47,761,799</u>

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 CAPITAL ASSETS (continued)

Land with a carrying value of approximately \$8,232,000 and \$8,210,000 was not used in the landfill operations as of June 30, 2014 and 2013, respectively. Of this amount, approximately \$6,998,500 and \$6,977,000 was leased or farmed as farmland as of June 30, 2014 and 2013, respectively.

At June 30, 2014, contract commitments of approximately \$87,000 remain on the Authority's engineering and construction contract for the Metro Hazardous Waste Dropoff Building Addition.

NOTE 5 NOTES PAYABLE

Notes payable at June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Solid Waste note payable	\$ 3,124,410	\$3,978,911
Taxable Revenue Note, Series 2014	10,000,000	-
Note payable	1,520,135	1,661,646
Farm installment contract	210,000	350,000
Solid Waste Alternates Program	-	24,800
	14,854,545	6,015,357
Less current portion	1,576,622	1,370,811
Long-term debt	\$13,277,923	\$4,644,546

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, \$66,855 in interest was expensed on the note.

Taxable Revenue Note, Series 2014

A Taxable Revenue Note, Series 2014 was issued to a bank on June 25, 2014, for the purpose of building the Grimes Solid Waste Transfer Station. The note requires monthly principal and interest payments commencing July 1, 2014 of \$62,243 through June 1, 2024, when all unpaid principal and interest are due. The note has a fixed interest rate of 4.28%. The note is secured by future net revenues of the Authority. The agreement contains certain covenants. The Authority was in compliance with all covenants at June 30, 2014.

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, \$57,507 in interest was expensed on the note.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

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, 2015, due to the note's 60-day demand provision. For the current year, \$13,417 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 consisted 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. This agreement was satisfied during the year ended June 30, 2014.

Principal and interest maturities of the notes payable at June 30, 2014 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,576,622	\$ 514,538	\$ 2,091,160
2016	1,373,427	498,986	1,872,413
2017	1,412,020	460,393	1,872,413
2018	986,841	422,821	1,409,662
2019	549,310	397,602	946,912
2020-2024	<u>8,956,325</u>	<u>1,628,302</u>	<u>10,584,627</u>
Totals	<u>\$14,854,545</u>	<u>\$3,922,642</u>	<u>\$18,777,187</u>

A summary of changes in notes payable for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Solid Waste note payable	\$3,978,911	\$ —	\$ 854,501	\$ 3,124,410	\$ 871,199
Taxable Revenue Note, Series 2014	—	10,000,000	—	10,000,000	348,932
Note payable	1,661,646	—	141,511	1,520,135	146,491
Farm installment contract	350,000	—	140,000	210,000	210,000
Solid Waste Alternatives Program note	<u>24,800</u>	<u>—</u>	<u>24,800</u>	<u>—</u>	<u>—</u>
Totals	<u>\$6,015,357</u>	<u>\$10,000,000</u>	<u>\$1,160,812</u>	<u>\$14,854,545</u>	<u>\$1,576,622</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 5 NOTES PAYABLE (continued)

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

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

NOTE 6 OPERATING LEASES

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2014, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

Year ending June 30

2015	\$ 343,000
2016	252,000
2017	219,000
2018	127,000
2019	<u>127,000</u>
	<u>\$1,068,000</u>

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.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013:

	June 30	
	2014	2013
Postclosure care	\$ 8,327,611	\$ 8,733,580
Landfill closure	<u>6,180,994</u>	<u>5,207,039</u>
Totals	<u>\$14,508,605</u>	<u>\$13,940,619</u>

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2014 and 2013 is as follows:

	Year ended June 30	
	2014	2013
Provision for postclosure care	\$ 574,063	\$ 643,303
Provision for landfill closure	<u>974,029</u>	<u>900,644</u>
Totals	<u>\$1,548,092</u>	<u>\$1,543,947</u>

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately \$17,616,000 as of June 30, 2014, and the portion of the liability that has been recognized is \$14,508,605. This liability represents the cumulative amount reported to date based on the use of approximately 75 percent of the capacity of the landfill less payments for cell closure, with a remaining life of 43 years. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2014 and 2013. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the balance sheet and total \$14,508,605 as of June 30, 2014.

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, 2014 have been estimated at \$160,000. The balance has been restricted and is fully funded at June 30, 2014.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

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, 2014 and 2013, 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 5.95% of their annual covered salary and the Authority is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$433,935, \$404,212 and \$362,671, 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 27 active members and -0- retired members 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. Payments under these benefits totaled \$-0- for 2014 and \$5,056 for 2013.

NOTE 12 NOTES RECEIVABLE

Notes receivable at June 30, 2014 consist of the following:

Tenant loan receivable, monthly payments due of \$120 including interest at 7.8%, matures November 2014.

\$ 237

Maturities of notes receivable at June 30, 2014 are summarized as follows:

Year ending June 30

2015

\$ 237

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

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.

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory Authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Authority's contributions to the Pool for the years ended June 30, 2014 and 2013 were \$202,382 and \$196,562, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Authority's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 13 RISK MANAGEMENT (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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, 2014, receivables from three customers totaled approximately \$568,000, or 27% of total net receivables.

NOTE 16 PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.



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, 2014 and 2013, and have issued our report thereon, which appears on pages 4 and 5, dated November 6, 2014, which contains an unmodified opinion on those financial statements. Our audits were conducted 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, 2005 through 2012, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 6, 2014

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT
Year ended June 30, 2014

	<u>Combined</u>	<u>Metro Park East Landfill</u>
REVENUES		
Tipping fees, service fees and rental revenue	\$30,622,815	\$11,755,978
EXPENSES		
Operating expenses (excluding depreciation and amortization)	21,069,975	6,836,092
Provision for landfill closure and postclosure care costs	<u>1,548,092</u>	<u>1,107,902</u>
Total operating expenses	<u>22,618,067</u>	<u>7,943,994</u>
Operating income (loss) before depreciation and amortization	<u>8,004,748</u>	<u>3,811,984</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	3,877,283	1,755,961
Amortization	<u>1,862,711</u>	<u>1,862,711</u>
	<u>5,739,994</u>	<u>3,618,672</u>
Operating income (loss)	<u>2,264,754</u>	<u>193,312</u>
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	21,439	18,775
Investment income (loss)	474,451	-
Interest expense	(144,913)	(45,489)
(Loss) on sale of assets	(238,539)	-
Other	<u>7,519</u>	<u>5,202</u>
Total nonoperating revenues (expenses)	<u>119,957</u>	<u>(21,512)</u>
Increase (decrease) in net position	<u>\$ 2,384,711</u>	<u>\$ 171,800</u>

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

<u>Metro Park West Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration*</u>
\$1,089,584	\$7,582,792	\$2,749,096	\$ 618,481	\$3,387,922	\$ 618,008	\$2,820,954
598,268	1,857,463	2,119,913	898,503	3,252,047	531,046	4,976,643
440,190	—	—	—	—	—	—
<u>1,038,458</u>	<u>1,857,463</u>	<u>2,119,913</u>	<u>898,503</u>	<u>3,252,047</u>	<u>531,046</u>	<u>4,976,643</u>
51,126	<u>5,725,329</u>	<u>629,183</u>	<u>(280,022)</u>	<u>135,875</u>	<u>86,962</u>	<u>(2,155,689)</u>
511,947	544,968	226,501	112,623	443,883	217,029	64,371
—	—	—	—	—	—	—
<u>511,947</u>	<u>544,968</u>	<u>226,501</u>	<u>112,623</u>	<u>443,883</u>	<u>217,029</u>	<u>64,371</u>
<u>(460,821)</u>	<u>5,180,361</u>	<u>402,682</u>	<u>(392,645)</u>	<u>(308,008)</u>	<u>(130,067)</u>	<u>(2,220,060)</u>
2,664	—	—	—	—	—	—
—	—	—	—	—	77	474,374
(57,507)	—	—	(20,028)	(21,889)	—	—
—	—	—	—	—	—	(238,539)
—	—	—	244	—	—	2,073
<u>(54,843)</u>	<u>—</u>	<u>—</u>	<u>(19,784)</u>	<u>(21,889)</u>	<u>77</u>	<u>237,908</u>
<u>\$ (515,664)</u>	<u>\$5,180,361</u>	<u>\$ 402,682</u>	<u>\$ (412,429)</u>	<u>\$ (329,897)</u>	<u>\$ (129,990)</u>	<u>\$(1,982,152)</u>

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES EXCLUDING
DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2014

	<u>Combined</u>	<u>Metro Park East Landfill</u>
Salaries	\$ 4,883,613	\$ 2,132,669
Payroll taxes	811,736	352,866
Benefits	1,086,830	505,668
Site maintenance	917,972	577,838
Recycling programs	5,579,834	-
Vehicle repairs and maintenance	676,534	342,530
Vehicle fuel	1,256,441	793,481
Computer maintenance	94,475	44,691
Minor equipment	111,300	78,078
Professional services	528,334	193,651
Engineering services	551,443	453,555
Graphics design/contract printing	15,403	1,231
Contract disposal	516,998	248,233
Property taxes and host fees	444,602	154,891
Telephone and utilities	279,881	118,440
Building and office supplies	266,343	92,120
Advertising	311,906	48,660
Travel	87,354	26,815
Postage	19,467	1,028
Credit card discount	223,994	223,994
Miscellaneous	85,509	17,253
Insurance	94,201	39,311
Leachate processing	378,663	370,331
Investment expense	57,180	-
Machinery and equipment rental	13,362	10,835
Office and facilities rent	212,800	-
Yard waste collection and bags	1,434,711	-
Community cleanup grants	114,907	-
Environmental Management System	<u>14,682</u>	<u>7,923</u>
Total operating expenses, excluding depreciation and amortization	<u>\$21,069,975</u>	<u>\$ 6,836,092</u>

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

<u>Metro Park West Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration*</u>
\$ 288,512	\$ 838,036	\$ 265,564	\$ 344,001	\$ 178,006	\$ -	\$ 836,825
45,272	140,286	43,360	61,170	30,697	-	138,085
50,965	153,946	62,566	98,439	38,505	-	176,741
32,158	69,709	15,003	25,666	4,995	192,603	-
-	-	-	-	2,773,561	-	2,805,773
20,568	196,269	114,593	2,574	-	-	-
48,309	329,625	74,189	7,850	-	-	2,987
3,403	1,323	1,530	5,746	-	-	37,782
2,374	2,395	3,406	11,810	4,912	-	8,325
872	-	-	-	-	-	333,811
64,014	11,411	675	6,200	-	-	15,588
-	-	2,257	239	6,538	-	5,138
-	-	-	156,098	111,620	1,047	-
-	30,773	-	27,978	-	230,960	-
6,281	25,397	5,716	42,751	-	48,918	32,378
9,537	39,605	4,206	42,448	34	51,524	26,869
1,286	1,917	41,229	45,054	88,656	-	85,104
2,339	365	165	9,049	7,737	-	40,884
46	-	-	354	810	-	17,229
-	-	-	-	-	-	-
298	924	1,700	2,891	1,780	258	60,405
6,775	15,403	7,193	8,185	4,196	5,736	7,402
8,332	-	-	-	-	-	-
-	-	-	-	-	-	57,180
598	79	1,850	-	-	-	-
-	-	40,000	-	-	-	172,800
-	-	1,434,711	-	-	-	-
-	-	-	-	-	-	114,907
<u>6,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430</u>
<u>\$ 598,268</u>	<u>\$1,857,463</u>	<u>\$2,119,913</u>	<u>\$ 898,503</u>	<u>\$3,252,047</u>	<u>\$ 531,046</u>	<u>\$4,976,643</u>

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	<u>2014</u>	<u>2013</u>	<u>Year ended</u> <u>2012</u>
REVENUES	\$30,622,815	\$26,865,810	\$26,118,067
EXPENSES			
Operating expenses (excluding depreciation and amortization)	21,069,975	19,084,041	17,871,941
Provision for landfill closure and postclosure care costs	<u>1,548,092</u>	<u>1,543,947</u>	<u>1,351,195</u>
Operating income before depreciation and amortization	<u>8,004,748</u>	<u>6,237,822</u>	<u>6,894,931</u>
DEPRECIATION AND AMORTIZATION			
Depreciation	3,877,283	3,513,636	3,877,884
Amortization	<u>1,862,711</u>	<u>1,794,940</u>	<u>1,873,668</u>
	<u>5,739,994</u>	<u>5,308,576</u>	<u>5,751,552</u>
Operating income	<u>2,264,754</u>	<u>929,246</u>	<u>1,143,379</u>
NONOPERATING REVENUES (EXPENSES)			
Farm income (loss), net of related expenses	21,439	102,095	184,253
Investment income (loss)	474,451	(344,085)	416,862
Gain (loss) on sale of land and capital assets	(238,539)	8,640	30,509
Interest expense	(144,913)	(161,084)	(196,526)
Other	<u>7,519</u>	<u>26,079</u>	<u>21,669</u>
Total nonoperating revenues (expenses)	<u>119,957</u>	<u>(368,355)</u>	<u>456,767</u>
Increase in net position	<u>\$ 2,384,711</u>	<u>\$ 560,891</u>	<u>\$ 1,600,146</u>
Percent increase (decrease) from prior period			
Revenues	13.98%	2.86%	5.70%
Operating expenses excluding depreciation and amortization	10.37%	6.78%	10.13%
Provision for depreciation and amortization	8.13%	(7.70)%	8.00%
Tonnage delivered to landfill (unaudited)	629,003	575,553	551,228
Compost tonnage (unaudited)	35,566	32,611	32,937

* 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						
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006*</u>	<u>2005</u>
\$24,709,213	\$22,476,221	\$22,334,440	\$21,416,712	\$19,472,340	\$18,497,337	\$17,499,045
16,227,319	15,489,209	15,715,024	13,899,799	12,570,040	11,791,128	11,522,222
<u>1,768,088</u>	<u>1,407,606</u>	<u>1,266,388</u>	<u>998,862</u>	<u>1,119,852</u>	<u>(4,080,754)</u>	<u>1,553,488</u>
<u>6,713,806</u>	<u>5,579,406</u>	<u>5,353,028</u>	<u>6,518,051</u>	<u>5,782,448</u>	<u>10,786,963</u>	<u>4,423,335</u>
3,445,727	3,298,212	2,659,138	2,891,392	2,391,022	2,169,425	2,074,819
<u>1,880,017</u>	<u>2,188,400</u>	<u>2,388,956</u>	<u>1,895,793</u>	<u>725,400</u>	<u>725,400</u>	<u>620,645</u>
<u>5,325,744</u>	<u>5,486,612</u>	<u>5,048,094</u>	<u>4,787,185</u>	<u>3,116,422</u>	<u>2,894,825</u>	<u>2,695,464</u>
<u>1,388,062</u>	<u>92,794</u>	<u>304,934</u>	<u>1,730,866</u>	<u>2,666,026</u>	<u>7,892,138</u>	<u>1,727,871</u>
50,372	107,322	(64,124)	75,933	92,584	1,895	13,924
325,172	655,857	800,914	1,431,260	1,730,338	801,886	796,773
8,312	4,170	-	88,106	184,602	4,000	18,038
(227,012)	(254,632)	(119,877)	(126,549)	(320,253)	(127,154)	(94,187)
<u>108,359</u>	<u>56,740</u>	<u>45,935</u>	<u>22,740</u>	<u>25,641</u>	<u>17,715</u>	<u>24,185</u>
<u>265,203</u>	<u>569,457</u>	<u>662,848</u>	<u>1,491,490</u>	<u>1,712,912</u>	<u>698,342</u>	<u>758,733</u>
<u>\$1,653,265</u>	<u>\$ 662,251</u>	<u>\$ 967,782</u>	<u>\$ 3,222,356</u>	<u>\$ 4,378,938</u>	<u>\$ 8,590,480</u>	<u>\$ 2,486,604</u>
9.93%	0.63%	4.29%	9.99%	5.27%	5.70%	(2.62)%
4.77%	(1.44)%	13.06%	10.58%	6.61%	2.33%	(.28)%
(2.93)%	8.69%	5.45%	53.61%	7.65%	7.40%	(5.06)%
561,792	548,384	560,468	552,349	495,203	490,599	479,095
32,569	32,664	30,385	24,990	25,421	20,447	20,590



**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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 6, 2014.

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 (internal control) 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 weaknesses. However, material weaknesses may exist that have not been identified.

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, 2014 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

West Des Moines, Iowa
November 6, 2014

**Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2014**

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, 2014**

Part II—Findings Related to Required Statutory Reporting

14-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

14-II-B TRAVEL EXPENSE

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

14-II-C BOARD MINUTES

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

14-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.

14-II-E SOLID WASTE FEES RETAINAGE

During the year ended June 30, 2014, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

14-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:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care at June 30, 2014	\$6,180,994	\$8,327,611
Less balance of funds held in the local dedicated fund at June 30, 2014	<u>6,180,994</u>	<u>8,327,611</u>
	-	-
Divided by the number of years remaining in the pay-in period	÷ <u>1</u>	÷ <u>1</u>
Required payment into the local dedicated fund for the year ended June 30, 2014	\$ <u> -</u>	\$ <u> -</u>
Required balance of funds held in the local dedicated fund at June 30, 2014	<u>\$6,180,994</u>	<u>\$8,327,611</u>
Amount Authority has restricted for closure and postclosure care at June 30, 2014	<u>\$6,180,994</u>	<u>\$8,327,611</u>