

**Metro Waste Authority
Des Moines, Iowa**

FINANCIAL REPORT

June 30, 2016

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**Metro Waste Authority
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean O'Connor	Interim Chair	Altoona
Mark Holm	Chair Pro Tem	Ankeny
Wes Enos	Member	Bondurant
John Edwards	Member	Clive
Skip Moore	Member	Des Moines
Kevin Smith	Member	Elkhart
Ty Blackford	Member	Grimes
Matt Brown	Member	Johnston
Jon Woods	Member	Mitchellville
Jaki Livingston	Member	Norwalk
Barb Malone	Member	Pleasant Hill
Dan Lane	Member	Polk City
Tom Hockensmith	Member	Polk County
Skip Dunbar	Member	Runnells
Ron Pogge	Member	Urbandale
John Mickelson	Member	West Des Moines
Threase Harms	Member	Windsor Heights
Michael McCoy	Secretary	
Planning Area Members		
Bill Bodensteiner		Alleman
Ruth Randleman		Carlisle
Larry Bohlen		Hartford
Gary Bartels		Mingo
Chad Alleger		Prairie City
Don Towers		Sheldahl
Michael McCoy	Executive Director of Authority	
Kent Farver	Director of Finance	



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, 2016 and 2015, and the related notes to the 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Authority adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

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, 2016 and 2015, and the changes in its financial position and its 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, the schedule of the Authority's proportionate share of the net pension liability and the schedule of Authority pension contributions on pages 6-9 and 34-37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 3, 2016, 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 3, 2016

METRO WASTE AUTHORITY

Management's Discussion and Analysis

As management of Metro Waste Authority (MWA), we offer readers of MWA's financial statements this narrative overview and analysis of the financial performance for the fiscal years ended June 30, 2016, 2015 and 2014. 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 2016 and 2015:

- Operating revenues increased by 4.7% for 2016 and by 8% for 2015. The increase for 2016 was due to increases in commercial, residential, and construction and demolition waste disposed of at our facilities. Total tonnage disposed of increased by 10,163 tons in fiscal year 2016. The increase for 2015 was due to increased tonnage in commercial, residential and construction and demolition waste.
- Nonoperating revenue decreased in 2016 due to the fact that no gains were recorded on the sale of fixed assets. The increase in nonoperating revenue for 2015 was due to a gain on sale of fixed assets and an increase in investment income.
- The increase in capital assets for 2016 was due to the completion of the Metro Northwest Transfer Station facility and the purchase of equipment to operate the facility as well as the replacement of capital equipment at each of Metro Waste Authority's facilities. The increase in capital assets for 2015 was due to the work in process at the new Metro Northwest Transfer Station in Grimes.
- Decreased operating expenses for 2016 were due to a reduction in the amortization of closure and postclosure costs due to increased compaction rates at both Metro Park East and Metro Park West landfills and reduced general and administrative costs for the year. Decreased operating expenses for 2015 were due to a reduction in fuel costs and engineering services costs.

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 Statement of Net Position 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 Statements of Net Position 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 Statement of Net Position is presented in Table A-1

**Table A-1
Condensed Statements of Net Position**

	FY 15/16	FY 14/15	Change	% Change	FY 13/14	Change	% Change
Current and Other Assets	\$15,106,103	\$10,660,758	4,445,345	41.70%	\$9,627,763	\$1,032,995	10.73%
Restricted Assets	23,121,581	31,571,386	(8,449,805)	(26.76%)	31,063,882	507,504	1.63%
Capital Assets	61,491,583	53,900,704	7,590,879	14.08%	48,772,901	5,127,803	10.51%
Total Assets	99,719,267	96,132,848	3,586,419	3.73%	89,464,546	6,668,302	7.45%
Deferred outflows of resources	620,290	608,494	11,796	1.94%	-	608,494	100.00%
Current Liabilities	6,272,864	7,159,894	(887,030)	(12.39%)	5,451,637	1,708,257	31.33%
Long-term Debt Outstanding	10,492,476	11,904,496	(1,412,020)	(11.86%)	13,277,923	(1,373,427)	(10.34%)
Closure and Post Closure Costs	13,103,715	15,380,317	(2,276,602)	(14.80%)	14,508,605	871,712	6.00%
Net Pension Liability	3,518,216	2,943,221	574,995	19.54%	-	2,943,221	100.00%
Total Liabilities	33,387,271	37,387,928	(4,000,657)	(10.70%)	33,238,165	4,149,763	12.48%
Deferred inflows of resources	377,672	1,122,160	(744,488)	(66.34%)	-	1,122,160	100.00%
Net Position:							
Invested in Capital Assets net of Related Debt	49,587,087	40,552,781	9,034,306	22.28%	43,918,356	(3,365,575)	(7.66%)
Restricted for Transfer Station closure	320,000	320,000	-	0%	160,000	160,000	100.00%
Unrestricted	16,667,527	17,358,473	(690,946)	(3.98)%	12,148,025	5,210,448	42.89%
Total Net Position	\$66,574,614	\$58,231,254	\$8,343,360	14.33%	\$56,226,381	\$2,004,873	3.57%

The table above shows that net position increased approximately \$ 8.3 million in 2016 and \$2 million in 2015. The increase in 2016 was due to the completion of the Metro Northwest Transfer Station facility and the equipment utilized in the operation of this facility as well as the replacement of capital equipment at each of the Metro Waste Authority facilities. The increase in net assets for 2015 was due to an overall increase in current and capital assets. Restricted Assets are cash and investments that have been designated by MWA's Board of Directors for closure and post closure care costs and for the purchase of capital assets. Federal and State regulations require Metro Waste Authority to complete a closure/post closure plan and to provide funding necessary for full closure and post closure, including the proper monitoring and care of the landfill after closure. Investments totaling \$16.7 million in 2016 and \$15.4 million in 2015 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 15/16	FY 14/15	Change	%	FY 13/14	Change	%
Operating Revenues	\$34,651,660	\$33,097,552	\$1,554,108	4.70%	\$30,622,815	\$2,474,737	8.08%
Investment Income (Loss)	717,082	565,037	152,045	26.91%	474,451	90,586	19.09%
Nonoperating Revenues	106,078	345,098	(239,020)	(69.26%)	(209,581)	554,679	264.66%
Total Revenues	35,474,820	34,007,687	1,467,133	4.31%	30,887,685	3,120,002	10.10%
Operating Expense	21,022,499	22,291,936	(1,269,437)	(5.69%)	22,618,067	(326,131)	(1.44%)
Depreciation	5,615,943	5,503,031	112,912	2.05%	5,739,994	(236,963)	(4.13%)
Nonoperating Expense	493,018	534,252	(41,234)	(7.72%)	144,913	389,339	268.67%
Total Expenses	27,131,460	28,329,219	(1,197,759)	(4.23%)	28,502,974	(173,755)	(.61%)
Change in Net Position	8,343,360	5,678,468			2,384,711		
Beginning Net Position	58,231,254	52,552,786			53,841,670		
Ending Net Position	<u>\$66,574,614</u>	<u>\$58,231,254</u>			<u>\$56,226,381</u>		

While the Statement of Net Position 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 \$1.6 million in 2016 and by \$2.5 million in 2015. The increase for 2016 was due to increases in the amount of commercial, residential, and construction and demolition waste disposed of at our facilities. Total tonnage disposed of increased by 10,163 tons in fiscal year 2016. Operating revenues increased in 2015 due to increased tonnages in residential, commercial, and construction and demolition waste. Nonoperating revenues decreased in 2016 due to no gains being recorded on the sale of fixed assets. Nonoperating revenues increased in 2015 due to a gain on sale of fixed assets and an increase in investment expenses. Nonoperating expense increased due to the addition of interest expense on the \$10 million Taxable Revenue Note, Series 2014, that was used to construct the Metro Northwest Transfer Station.

CAPITAL ASSETS

**Table A-3
Capital Assets**

	FY 15/16	FY 14/15	Change	% Change	FY 13/14	Change	% Change
Land & Land Improvements	\$22,682,571	\$17,388,029	\$5,294,542	30.45%	\$17,258,681	\$129,348	0.75%
Buildings & Building Improvements	34,496,701	25,107,057	9,389,644	37.40%	23,304,432	1,802,625	7.74%
Landfill Cell Development	23,843,245	20,462,351	3,380,894	16.52%	19,351,976	1,110,375	5.74%
Wetlands Treatment Facility	4,408,832	4,408,832	-	0%	4,408,832	-	0%
Equipment	33,867,740	30,891,852	2,975,888	9.63%	30,434,455	457,397	1.50%
Work in Process	792,561	8,626,707	(7,834,146)	(90.81%)	2,612,211	6,014,496	230.25%
Sub-total	120,091,650	106,884,828	13,206,822	12.36%	97,370,587	9,514,241	9.77%
Less: Accumulated depreciation	58,600,067	52,984,124	5,615,943	10.60%	48,597,686	4,386,438	9.03%
Net Capital Assets	\$61,491,583	\$53,900,704	\$7,590,879	14.08%	\$48,772,901	\$5,127,803	10.51%

The increase in capital assets in 2016 was due to the completion of the Metro Northwest Transfer Station facility and the purchase of equipment to operate the facility as well as the replacement of capital equipment at each of Metro Waste Authority's facilities. Additional cells were developed at both Metro Park East and Metro Park West landfill facilities. The increase in capital assets in 2015 was due to the work in process at the new Metro Northwest Transfer Station in Grimes.

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 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.

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
STATEMENTS OF NET POSITION**

ASSETS	June 30	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,414,175	\$ 5,616,286
Investments	4,710,100	2,104,983
Disposal fees receivable, less allowance for uncollectible accounts 2016 and 2015 \$100,000	2,144,620	2,059,731
Prepaid expenses, accrued interest and other assets	665,674	542,832
Inventories	<u>171,534</u>	<u>336,926</u>
Total current assets	<u>15,106,103</u>	<u>10,660,758</u>
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents	819,255	1,074,457
Investments	<u>22,302,326</u>	<u>30,496,929</u>
Total assets whose use is limited	<u>23,121,581</u>	<u>31,571,386</u>
CAPITAL ASSETS		
Land and building—Metro Park East	44,864,889	42,296,163
Land and building—Metro Park West	8,705,354	7,672,636
Land—Metro Northwest Transfer Station	1,924,061	712,505
Building and improvements—Metro Northwest Transfer Station	13,016,437	—
Land and building—Transfer Station	4,249,764	4,225,064
Leasehold improvements—Metro Compost Center	1,507,780	1,507,780
Land and building—Regional Collection Center	3,093,318	2,968,596
Land and building—300 East Locust	8,069,746	7,983,525
Automobiles, trucks and other equipment	33,867,740	30,891,852
Construction in progress	<u>792,561</u>	<u>8,626,707</u>
	120,091,650	106,884,828
Less accumulated depreciation and amortization	<u>58,600,067</u>	<u>52,984,124</u>
Total capital assets	<u>61,491,583</u>	<u>53,900,704</u>
Total assets	<u>99,719,267</u>	<u>96,132,848</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>620,290</u>	<u>608,494</u>

See Notes to Financial Statements.

	June 30	
	2016	2015
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 1,412,020	\$ 1,443,427
Construction contracts payable	531,589	317,672
Trade accounts payable	1,874,263	2,810,943
Disposal fee rebates payable	222,496	227,374
Landfill tax payable	345,152	349,783
Accrued payroll and employee benefits	1,570,757	1,674,338
Other accrued expenses	<u>316,587</u>	<u>336,357</u>
Total current liabilities	<u>6,272,864</u>	<u>7,159,894</u>
LONG-TERM LIABILITIES		
Notes payable, less current portion	10,492,476	11,904,496
Accrued landfill closure and postclosure care costs	13,103,715	15,380,317
Net pension liability	<u>3,518,216</u>	<u>2,943,221</u>
Total long-term liabilities	<u>27,114,407</u>	<u>30,228,034</u>
Total liabilities	<u>33,387,271</u>	<u>37,387,928</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>377,672</u>	<u>1,122,160</u>
NET POSITION		
Invested in capital assets, net of related debt	49,587,087	40,552,781
Unrestricted	16,667,527	17,358,473
Restricted for transfer station closure	<u>320,000</u>	<u>320,000</u>
Total net position	<u>\$ 66,574,614</u>	<u>\$ 58,231,254</u>

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

	Year ended June 30	
	2016	2015
REVENUES		
Landfill, transfer, compost, RCC, curbside recycling, and rental	\$34,651,660	\$33,097,552
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	22,663,100	20,991,551
Provision for landfill closure and postclosure care costs	<u>(1,640,601)</u>	<u>1,300,385</u>
Operating income before depreciation and amortization	<u>13,629,161</u>	<u>10,805,616</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	4,231,989	4,176,241
Amortization	<u>1,383,954</u>	<u>1,326,790</u>
	<u>5,615,943</u>	<u>5,503,031</u>
Operating income	<u>8,013,218</u>	<u>5,302,585</u>
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	101,745	68,180
Investment income	717,082	565,037
Gain on sale of capital assets	-	267,062
Interest expense	(493,018)	(534,252)
Other	<u>4,333</u>	<u>9,856</u>
Total nonoperating revenues (expenses)	<u>330,142</u>	<u>375,883</u>
Increase in net position	8,343,360	5,678,468
NET POSITION, beginning of year, as restated	<u>58,231,254</u>	<u>52,552,786</u>
NET POSITION, end of year	<u>\$66,574,614</u>	<u>\$58,231,254</u>

See Notes to Financial Statements.

**Metro Waste Authority
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$34,566,771	\$33,104,158
Cash paid to suppliers for goods and services	(17,521,257)	(14,959,436)
Cash paid to employees for services	(5,380,290)	(4,763,028)
Cash paid for host fees	(418,611)	(499,245)
Community clean up grants paid	(112,071)	(110,954)
Net cash provided by operating activities	<u>11,134,542</u>	<u>12,771,495</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(1,443,427)	(1,506,622)
Interest paid on notes payable	(500,735)	(514,539)
Principal collections on notes receivable	-	237
Purchase of capital assets	(13,439,492)	(9,813,484)
Proceeds from sale of capital assets	-	322,300
Payments for landfill cell closure	(636,001)	(428,673)
Net cash (used in) capital and related financing activities	<u>(16,019,655)</u>	<u>(11,940,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	30,155,546	11,779,709
Purchases of investments	(24,359,852)	(11,018,677)
Interest received	526,028	501,325
Net cash received from farming and other activities	106,078	78,036
Net cash provided by investing activities	<u>6,427,800</u>	<u>1,340,393</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,542,687	2,171,107
CASH AND CASH EQUIVALENTS		
Beginning	<u>6,690,743</u>	<u>4,519,636</u>
Ending	<u>\$ 8,233,430</u>	<u>\$ 6,690,743</u>

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 8,013,218	\$ 5,302,585
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	5,615,943	5,503,031
Provision for closure and postclosure costs	(1,640,601)	1,300,385
Changes in assets and liabilities		
Disposal fees receivable	(84,889)	7,484
Prepaid expenses and other assets, net of investing activities	(137,996)	(24,834)
Inventories	165,392	(49,599)
Deferred outflows due to pension	(11,796)	(174,837)
Payables, net of amounts for capital assets	(511,655)	784,959
Accrued payroll and benefits payable	(103,581)	164,494
Net pension liability	574,995	(1,164,333)
Deferred inflows	<u>(744,488)</u>	<u>1,122,160</u>
Net cash provided by operating activities	<u>\$11,134,542</u>	<u>\$12,771,495</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	\$ 7,414,175	\$ 5,616,286
Assets whose use is limited, cash and cash equivalents	<u>819,255</u>	<u>1,074,457</u>
Total per statement of cash flows	<u>\$ 8,233,430</u>	<u>\$ 6,690,743</u>

See Notes to Financial Statements.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Metro Waste Authority (the Authority) was formed in 1969 pursuant to the provisions of Chapter 28E of the Code of Iowa by a majority of the local governmental jurisdictions comprising the Des Moines, Iowa metropolitan area. The purpose of the Authority is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the metropolitan area. Currently, this purpose is being met by operating 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 financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expense, including depreciation) of providing goods and services to the general public on a continuing basis be 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 net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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, 2016 and 2015, 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 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2016 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, 2016, the Authority's deposits and investments are as follows:

Deposits	
Money market funds	\$ 2,064,411
Nonnegotiable certificates of deposit	920,000
Investments	
Certificates of deposit	5,028,262
U.S. Government agency securities	18,703,478
U.S. Treasury securities	<u>296,275</u>
Total	<u>\$27,012,426</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS (continued)

The Authority uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The fair value measurements for the Authority's investments were determined using the quoted prices in active markets. (Level 1 inputs).

Credit Risk. The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2016, 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, 2016, more than 5% of the Authority's investments were invested in obligations of the following agencies: Federal National Mortgage Association 24.5%; Federal Home Loan Bank 19.2%; Federal Home Loan Mortgage Corporation 36.8% and Federal Farm Credit Bank 18.2%.

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, 2016: U.S. Treasury securities 1.55 years; U.S. Government agency securities 2.28 years; and certificates of deposit 2.87 years.

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2016 and 2015 were limited for the following purposes:

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Legally restricted assets whose use is limited		
For closure and postclosure care costs	\$16,651,740	\$15,380,317
For transfer station closure	320,000	320,000
Under escrow agreement	<u>345,152</u>	<u>349,783</u>
Total - legally restricted	<u>17,316,892</u>	<u>16,050,100</u>
Board designated assets whose use is limited		
For capital projects	4,385,434	13,846,829
For environmental contingencies	600,000	600,000
For debt repayment	<u>819,255</u>	<u>1,074,457</u>
Total - board designated	<u>5,804,689</u>	<u>15,521,286</u>
Total assets whose use is limited	<u>\$23,121,581</u>	<u>\$31,571,386</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, 2016, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Metro Park East					
Land	\$ 8,324,595	\$ -	\$ -	\$ -	\$ 8,324,595
Building	9,151,989	31,791	-	-	9,183,780
Landfill improvements	2,476,970	-	-	-	2,476,970
Landfill cell development	17,933,777	2,536,935	-	-	20,470,712
Wetlands treatment facility	4,408,832	-	-	-	4,408,832
	<u>42,296,163</u>	<u>2,568,726</u>	<u>-</u>	<u>-</u>	<u>44,864,889</u>
Metro Park West					
Land	4,651,249	-	-	-	4,651,249
Land improvements	273,338	167,019	-	-	440,357
Building	219,475	21,740	-	-	241,215
Landfill cell development	2,528,574	843,959	-	-	3,372,533
	<u>7,672,636</u>	<u>1,032,718</u>	<u>-</u>	<u>-</u>	<u>8,705,354</u>
Metro Northwest Transfer Station					
Land	712,505	-	-	1,211,556	1,924,061
Building	-	-	-	9,100,470	9,100,470
Land improvements	-	34,777	-	3,881,190	3,915,967
	<u>712,505</u>	<u>34,777</u>	<u>-</u>	<u>14,193,216</u>	<u>14,940,498</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	193,255	-	-	-	193,255
Building	3,942,588	24,700	-	-	3,967,288
	<u>4,225,064</u>	<u>24,700</u>	<u>-</u>	<u>-</u>	<u>4,249,764</u>
Metro Compost Center					
Leasehold improvements	1,507,780	-	-	-	1,507,780
Regional Collection Center					
Land	168,896	-	-	-	168,896
Building	2,799,700	95,767	-	28,955	2,924,422
	<u>2,968,596</u>	<u>95,767</u>	<u>-</u>	<u>28,955</u>	<u>3,093,318</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,485,525	86,221	-	-	7,571,746
	<u>7,983,525</u>	<u>86,221</u>	<u>-</u>	<u>-</u>	<u>8,069,746</u>
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	979,800	200,994	-	-	1,180,794
Disposal	19,772,045	1,461,182	-	-	21,233,227
Transfer Station	3,317,412	358,942	-	-	3,676,354
Regional Collection Center	436,292	21,950	-	-	458,242
Recycling	4,340,561	-	-	-	4,340,561
Compost Facility	2,045,742	-	-	-	2,045,742
Metro Northwest Transfer Station	-	490,689	-	442,131	932,820
	<u>30,891,852</u>	<u>2,533,757</u>	<u>-</u>	<u>442,131</u>	<u>33,867,740</u>
Construction in progress	8,626,707	6,830,156	-	(14,664,302)	792,561
Totals	106,884,828	13,206,822	-	-	120,091,650
Less accumulated depreciation and amortization	(52,984,124)	(5,615,943)	-	-	(58,600,067)
Net capital assets	<u>\$ 53,900,704</u>	<u>\$ 7,590,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,491,583</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

During the year ended June 30, 2015, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Metro Park East					
Land	\$ 8,324,595	\$ -	\$ -	\$ -	\$ 8,324,595
Building	8,706,426	-	-	445,563	9,151,989
Landfill improvements	2,476,970	-	-	-	2,476,970
Landfill cell development	17,089,023	844,754	-	-	17,933,777
Wetlands treatment facility	<u>4,408,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,408,832</u>
	<u>41,005,846</u>	<u>844,754</u>	<u>-</u>	<u>445,563</u>	<u>42,296,163</u>
Metro Park West					
Land	4,651,249	-	-	-	4,651,249
Land improvements	254,454	18,884	-	-	273,338
Building	219,475	-	-	-	219,475
Landfill cell development	<u>2,262,953</u>	<u>265,621</u>	<u>-</u>	<u>-</u>	<u>2,528,574</u>
	<u>7,388,131</u>	<u>284,505</u>	<u>-</u>	<u>-</u>	<u>7,672,636</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	10,734	-	-	193,255
Building	<u>3,942,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,942,588</u>
	<u>4,214,330</u>	<u>10,734</u>	<u>-</u>	<u>-</u>	<u>4,225,064</u>
Metro Compost Center					
Leasehold improvements	<u>1,449,447</u>	<u>-</u>	<u>-</u>	<u>58,333</u>	<u>1,507,780</u>
Regional Collection Center					
Land	69,166	-	-	99,730	168,896
Building	<u>1,507,451</u>	<u>-</u>	<u>-</u>	<u>1,292,249</u>	<u>2,799,700</u>
	<u>1,576,617</u>	<u>-</u>	<u>-</u>	<u>1,391,979</u>	<u>2,968,596</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	<u>7,479,045</u>	<u>6,480</u>	<u>-</u>	<u>-</u>	<u>7,485,525</u>
	<u>7,977,045</u>	<u>6,480</u>	<u>-</u>	<u>-</u>	<u>7,983,525</u>
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	849,290	19,650	-	110,860	979,800
Disposal	19,516,337	-	(1,136,165)	1,391,873	19,772,045
Transfer Station	3,286,013	31,399	-	-	3,317,412
Regional Collection Center	396,512	39,780	-	-	436,292
Recycling	4,340,561	-	-	-	4,340,561
Compost Facility	<u>2,045,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,045,742</u>
	<u>30,434,455</u>	<u>90,829</u>	<u>(1,136,165)</u>	<u>1,502,733</u>	<u>30,891,852</u>
Construction in progress	<u>2,612,211</u>	<u>9,838,241</u>	<u>(425,137)</u>	<u>(3,398,608)</u>	<u>8,626,707</u>
Totals	97,370,587	11,075,543	(1,561,302)	-	106,884,828
Less accumulated depreciation and amortization	<u>(48,597,686)</u>	<u>(5,503,031)</u>	<u>1,116,593</u>	<u>-</u>	<u>(52,984,124)</u>
Net capital assets	<u>\$48,772,901</u>	<u>\$ 5,572,512</u>	<u>\$ (444,709)</u>	<u>\$ -</u>	<u>\$ 53,900,704</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

Land with a carrying value of approximately \$8,232,000 was not used in the landfill operations as of June 30, 2016 and 2015. Of this amount, approximately \$6,998,500 was leased or farmed as farmland as of June 30, 2016 and 2015.

Construction in progress at June 30, 2016 consists of cost related to several equipment installations and building improvements. These projects will be financed with current reserves.

NOTE 5 NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Solid Waste note payable	\$ 1,364,987	\$ 2,253,211
Taxable Revenue Note, Series 2014	9,317,513	9,651,068
Note payable	1,221,996	1,373,644
Farm installment contract	—	70,000
	<u>11,904,496</u>	<u>13,347,923</u>
Less current portion	<u>1,412,020</u>	<u>1,443,427</u>
Long-term debt	<u>\$10,492,476</u>	<u>\$11,904,496</u>

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, \$32,969 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 which commenced on 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, 2016. For the current year, \$412,167 in interest was expensed on the note.

Note payable

The Authority purchased the North Dallas Landfill in April 2009. The note is payable in annual installments of \$200,000 from April 2014 through 2023. Installment payments include principal and interest at 3.52%. For the current year, \$47,299 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 was payable in semiannual principal installments of \$70,000 due on March 1 and September 1 each year through September 1, 2015. Interest was also payable semiannually each March 1 and September 1 at 5%. Under the terms of this contract, the seller had the right to demand full payment of any unpaid principal balance at any time by giving the Authority 60 days written notice. This contract was paid in 2016. For the current year, \$583 in interest was expensed on the note.

Principal and interest maturities of the notes payable at June 30, 2016 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	571,145	375,767	946,912
2021	595,806	351,106	946,912
2022-2024	<u>7,789,374</u>	<u>901,429</u>	<u>8,690,803</u>
Totals	<u>\$11,904,496</u>	<u>\$2,909,118</u>	<u>\$14,813,614</u>

A summary of changes in notes payable for the year ended June 30, 2016 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	\$ 2,253,211	\$ —	\$ 888,224	\$ 1,364,987	\$ 905,581
Taxable Revenue Note, Series 2014	9,651,068	—	333,555	9,317,513	349,453
Note payable	1,373,644	—	151,648	1,221,996	156,986
Farm installment contract	<u>70,000</u>	<u>—</u>	<u>70,000</u>	<u>—</u>	<u>—</u>
Totals	<u>\$13,347,923</u>	<u>\$ —</u>	<u>\$1,443,427</u>	<u>\$11,904,496</u>	<u>\$1,412,020</u>

A summary of changes in notes payable for the year ended June 30, 2015 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	\$ 3,124,410	\$ —	\$ 871,199	\$ 2,253,211	\$ 888,224
Taxable Revenue Note, Series 2014	10,000,000	—	348,932	9,651,068	333,555
Note payable	1,520,135	—	146,491	1,373,644	151,648
Farm installment contract	<u>210,000</u>	<u>—</u>	<u>140,000</u>	<u>70,000</u>	<u>70,000</u>
Totals	<u>\$14,854,545</u>	<u>\$ —</u>	<u>\$1,506,622</u>	<u>\$13,347,923</u>	<u>\$1,443,427</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OPERATING LEASES

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2016, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

Year ending June 30

2017	\$ 467,000
2018	336,000
2019	180,000
2020	<u>109,000</u>
	<u>\$1,092,000</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.

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, 2016 and 2015:

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Postclosure care	\$ 6,706,901	\$ 8,340,618
Landfill closure	<u>6,396,814</u>	<u>7,039,699</u>
Totals	<u>\$13,103,715</u>	<u>\$15,380,317</u>

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 CLOSURE AND POSTCLOSURE CARE COSTS (continued)

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2016 and 2015 is as follows:

	Year ended June 30	
	2016	2015
Provision for postclosure care	\$(1,102,716)	\$ 548,520
Provision for landfill closure	<u>(537,885)</u>	<u>751,865</u>
Totals	<u>\$(1,640,601)</u>	<u>\$1,300,385</u>

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately \$18,964,000 as of June 30, 2016, and the portion of the liability that has been recognized is \$13,103,715. This liability represents the cumulative amount reported to date based on the use of approximately 68 percent of the capacity of the landfill less payments for cell closure, with a remaining life of approximately 6 years. A provision for the above liability has been made on the Authority's balance sheet as of June 30, 2016 and 2015. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the statement of net position and total \$16,651,740 as of June 30, 2016.

During 2016, the Authority experienced a reduction in the amortization of closure and postclosure costs due to two events. The first was the opening of new cells at both the Metro Park East and Metro Park West landfill facilities. The second was increased compaction rates at both Metro Park East and Metro Park West landfills due to the introduction of a new method of compacting. Both of these activities significantly increased the capacity of the developed landfill and lowered the overall percentage utilized at each site.

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, 2016 have been estimated at \$320,000. The balance has been restricted and is fully funded at June 30, 2016.

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, 2016 and 2015, there were no unspent amounts retained by the Authority.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Authority, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 PENSION PLAN (continued)

Contributions (continued)

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Authority contributed 8.93 percent for a total rate of 14.88 percent.

The Authority's contributions to IPERS for the years ended June 30, 2016 and 2015 were \$462,902 and \$438,824, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the Authority reported a liability of \$3,518,216 and \$2,943,221, respectively, for its proportionate share of the net pension liability. The Authority net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Authority's proportionate share:

	Measurement Date		Change
	June 30		
	2015	2014	
Authority's proportionate share	0.071212%	0.074213%	(0.003001)%

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of \$281,613 and \$222,114, respectively. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2016	2015	2016	2015
Difference between expected and actual experience	\$ 54,552	\$ 31,987	\$ -	\$ -
Change in assumptions	96,865	129,891	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	292,508	1,122,160
Change in proportion and difference between Authority contributions and proportionate share of contributions	5,971	7,792	85,164	-
Authority contributions subsequent to the measurement date	<u>462,902</u>	<u>438,824</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 620,290</u>	<u>\$ 608,494</u>	<u>\$ 377,672</u>	<u>\$ 1,122,160</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions (continued)

\$462,902 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Members</u>
2017	\$ (116,031)
2018	(116,031)
2019	(116,031)
2020	129,458
2021	<u>(3,346)</u>
Totals	<u>\$ (221,981)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2015)	3.00 percent
Salary increases (effective June 30, 2010)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 PENSION PLAN (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	24%	6.29
Non US Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Authority's proportionate share of the net pension liability	<u>\$6,159,763</u>	<u>\$3,518,216</u>	<u>\$1,288,561</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2016 and 2015, the Authority reported payables to the defined benefit pension plan of \$52,200 and \$46,200, respectively, for legally required employer contributions and \$34,800 and \$30,800, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 eligible union employees who retire from the Authority. There are 12 active members and 12 retired members in the plan. For early retiree between 62-65 years old, the Authority pays the insurance premiums based on the rate of coverage at the time of the retirement for the service months they had earned as of 2001. Payments under these benefits totaled \$2,365 for 2016 and \$6,750 for 2015.

NOTE 12 RISK MANAGEMENT

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

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 746 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, 2016 and 2015 were \$208,949 and \$189,705, respectively.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (continued)

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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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, 2016, no liability has been recorded in the Authority's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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 13 CONTINGENCIES

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

NOTE 14 CONCENTRATION OF CREDIT RISK

At June 30, 2016, receivables from five customers totaled approximately \$922,000, or 43% of total net receivables.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 15 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net position</u>
Net position June 30, 2014, as previously reported	\$56,226,381
Net pension liability at June 30, 2014	(4,107,554)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>433,959</u>
Net position July 1, 2014, as restated	<u>\$52,552,786</u>

REQUIRED SUPPLEMENTARY INFORMATION

Metro Waste Authority
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	June 30	
	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	.071212%	.074213%
Authority's proportionate share of the net pension liability	\$3,518	\$2,943
Authority's total payroll	\$5,248	\$4,928
Authority's proportionate share of the net pension liability as a percentage of its total payroll	67%	60%
Plan fiduciary net position as a percentage of the total pension liability	85%	88%

See accompanying notes to required supplementary information - pension liability.

Metro Waste Authority
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	2016	2015	2014	2013
Statutorily required contribution	\$ 463	\$ 439	\$ 434	\$ 404
Contributions in relation to the statutorily required contribution	<u>463</u>	<u>439</u>	<u>434</u>	<u>404</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Authority's total payroll	\$5,248	\$4,928	\$4,884	\$4,635
Contributions as a percentage of total payroll	8.8%	8.9%	8.9%	8.7%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 363	\$ 295	\$ 266	\$ 232	\$ 204	\$ 184
<u>363</u>	<u>295</u>	<u>266</u>	<u>232</u>	<u>204</u>	<u>184</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$4,497	\$4,250	\$4,028	\$3,703	\$3,414	\$3,191
8.1%	6.9%	6.6%	6.3%	6.0%	5.8%

Metro Waste Authority
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2016

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the Unfunded Actuarial Liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



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, 2016 and 2015, and our report thereon dated November 3, 2016, which appears on pages 4 and 5, 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, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. We previously audited the years ended June 30, 2006 through 2014, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 3, 2016

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT
Year ended June 30, 2016

	<u>Combined</u>	<u>Metro Park East Landfill</u>
REVENUES		
Tipping fees, service fees and rental revenue	\$ <u>34,651,660</u>	\$ <u>13,854,232</u>
EXPENSES		
Operating expenses (excluding depreciation and amortization)	22,663,100	6,736,532
Provision for landfill closure and postclosure care costs	<u>(1,640,601)</u>	<u>(657,536)</u>
Total operating expenses	<u>21,022,499</u>	<u>6,078,996</u>
Operating income (loss) before depreciation and amortization	<u>13,629,161</u>	<u>7,775,236</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	4,231,989	2,063,910
Amortization	<u>1,383,954</u>	<u>1,383,954</u>
	<u>5,615,943</u>	<u>3,447,864</u>
Operating income (loss)	<u>8,013,218</u>	<u>4,327,372</u>
NONOPERATING REVENUES (EXPENSES)		
Farm income, net of related expenses	101,745	99,081
Investment income	717,082	-
Interest expense	(493,018)	(15,624)
Gain on sale of capital assets	-	-
Other	<u>4,333</u>	<u>1,829</u>
Total nonoperating revenues (expenses)	<u>330,142</u>	<u>85,286</u>
Increase (decrease) in net position	<u>\$ 8,343,360</u>	<u>\$ 4,412,658</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>
\$1,147,115	\$9,292,541	\$2,713,833	\$ 671,076	\$3,235,094	\$ 663,362	\$3,074,407
824,295	2,467,376	2,295,053	875,278	3,653,215	499,172	5,312,179
(983,065)	—	—	—	—	—	—
(158,770)	2,467,376	2,295,053	875,278	3,653,215	499,172	5,312,179
1,305,885	6,825,165	418,780	(204,202)	(418,121)	164,190	(2,237,772)
441,845	612,495	190,700	165,943	440,775	227,784	88,537
—	—	—	—	—	—	—
441,845	612,495	190,700	165,943	440,775	227,784	88,537
864,040	6,212,670	228,080	(370,145)	(858,896)	(63,594)	(2,326,309)
2,664	—	—	—	—	—	—
—	—	—	—	—	—	717,082
(47,299)	(412,167)	—	(12,620)	(5,308)	—	—
—	—	—	—	—	—	—
2	—	—	137	—	—	2,365
(44,633)	(412,167)	—	(12,483)	(5,308)	—	719,447
\$ 819,407	\$5,800,503	\$ 228,080	\$ (382,628)	\$ (864,204)	\$ (63,594)	\$ (1,606,862)

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES, EXCLUDING
DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2016

	<u>Combined</u>	<u>Metro Park East Landfill</u>
Salaries	\$ 5,248,354	\$2,242,670
Payroll taxes	708,902	306,249
Benefits	1,079,862	464,775
Site maintenance	837,127	461,058
Recycling programs	6,028,643	-
Vehicle repairs and maintenance	1,200,220	391,748
Vehicle fuel	734,477	553,034
Computer maintenance	144,201	46,082
Minor equipment	97,328	51,187
Professional services	509,920	96,707
Engineering services	548,063	345,099
Graphics design/contract printing	36,927	141
Contract disposal	645,670	368,869
Property taxes and host fees	415,499	163,073
Telephone and utilities	356,523	116,494
Building and office supplies	313,112	92,915
Advertising	305,447	44,628
Travel	90,482	40,764
Postage	12,270	1,524
Credit card discount	239,282	239,282
Miscellaneous	108,350	27,829
Insurance	205,131	75,714
Leachate processing	756,456	564,860
Investment expense	66,618	-
Machinery and equipment rental	42,085	38,118
Office and facilities rent	216,133	-
Yard waste collection and bags	1,599,794	-
Community cleanup grants	112,071	-
Environmental Management System	<u>4,153</u>	<u>3,712</u>
Total operating expenses, excluding depreciation and amortization	<u>\$22,663,100</u>	<u>\$6,736,532</u>

*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
\$ 271,725	\$1,070,971	\$ 272,601	\$ 375,797	\$ 150,858	\$ -	\$ 863,732
35,805	137,892	38,771	50,824	20,457	-	118,904
54,653	195,934	58,889	98,916	35,208	-	171,487
52,302	88,234	24,154	20,761	22,410	168,208	-
-	-	-	-	2,984,719	-	3,043,924
14,992	521,215	82,621	4,387	185,257	-	-
25,846	116,017	34,877	3,959	-	-	744
1,346	18,768	3,755	6,568	-	-	67,682
1,034	38,186	1,351	3,123	-	-	2,447
-	-	-	-	2,611	-	410,602
125,591	13,362	64,011	-	-	-	-
-	-	3,090	-	29,943	-	3,753
-	-	-	144,525	131,317	959	-
-	31,404	-	18,888	-	202,134	-
19,368	70,166	5,492	52,975	-	56,593	35,435
10,870	94,869	5,032	31,364	86	45,452	32,524
1,739	10,604	38,383	29,641	78,656	-	101,796
2,383	2,015	620	12,182	832	-	31,686
17	-	-	38	946	-	9,745
-	-	-	-	-	-	-
340	23,031	2,071	4,104	719	-	50,256
14,318	32,554	14,831	16,841	9,196	25,826	15,851
191,596	-	-	-	-	-	-
-	-	-	-	-	-	66,618
51	2,154	1,377	385	-	-	-
-	-	43,333	-	-	-	172,800
-	-	1,599,794	-	-	-	-
-	-	-	-	-	-	112,071
319	-	-	-	-	-	122
<u>\$ 824,295</u>	<u>\$2,467,376</u>	<u>\$2,295,053</u>	<u>\$ 875,278</u>	<u>\$3,653,215</u>	<u>\$ 499,172</u>	<u>\$5,312,179</u>

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	<u>2016#</u>	<u>2015</u>	<u>2014</u>	<u>Year ended 2013</u>
REVENUES	\$34,651,660	\$33,097,552	\$30,622,815	\$26,865,810
EXPENSES				
Operating expenses (excluding depreciation and amortization)	22,663,100	20,991,551	21,069,975	19,084,041
Provision for landfill closure and postclosure care costs	<u>(1,640,601)</u>	<u>1,300,385</u>	<u>1,548,092</u>	<u>1,543,947</u>
Operating income before depreciation and amortization	<u>13,629,161</u>	<u>10,805,616</u>	<u>8,004,748</u>	<u>6,237,822</u>
DEPRECIATION AND AMORTIZATION				
Depreciation	4,231,989	4,176,241	3,877,283	3,513,636
Amortization	<u>1,383,954</u>	<u>1,326,790</u>	<u>1,862,711</u>	<u>1,794,940</u>
	<u>5,615,943</u>	<u>5,503,031</u>	<u>5,739,994</u>	<u>5,308,576</u>
Operating income	<u>8,013,218</u>	<u>5,302,585</u>	<u>2,264,754</u>	<u>929,246</u>
NONOPERATING REVENUES (EXPENSES)				
Farm income (loss), net of related expenses	101,745	68,180	21,439	102,095
Investment income (loss)	717,082	565,037	474,451	(344,085)
Gain (loss) on sale of land and capital assets	-	267,062	(238,539)	8,640
Interest expense	(493,018)	(534,252)	(144,913)	(161,084)
Other	<u>4,333</u>	<u>9,856</u>	<u>7,519</u>	<u>26,079</u>
Total nonoperating revenues (expenses)	<u>330,142</u>	<u>375,883</u>	<u>119,957</u>	<u>(368,355)</u>
Increase in net position	<u>\$ 8,343,360</u>	<u>\$ 5,678,468</u>	<u>\$ 2,384,711</u>	<u>\$ 560,891</u>
Percent increase (decrease) from prior period				
Revenues	4.69%	8.08%	13.98%	2.86%
Operating expenses excluding depreciation and amortization	7.96%	(0.37)%	10.37%	6.78%
Provision for depreciation and amortization	2.05%	(4.13)%	8.13%	(7.70)%
Tonnage delivered to landfill (unaudited)	685,898	673,870	629,003	575,553
Compost tonnage (unaudited)	47,221	48,747	35,566	32,611

During 2016, the Authority opened new cells at Metro Part East and Metro Park West and introduced a new method of compacting. These activities increased the capacity of the landfill and decreased costs.

* 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						
2012	2011	2010	2009	2008	2007	2006*
\$26,118,067	\$24,709,213	\$22,476,221	\$22,334,440	\$21,416,712	\$19,472,340	\$18,497,337
17,871,941	16,227,319	15,489,209	15,715,024	13,899,799	12,570,040	11,791,128
<u>1,351,195</u>	<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>6,894,931</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>
3,877,884	3,445,727	3,298,212	2,659,138	2,891,392	2,391,022	2,169,425
<u>1,873,668</u>	<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>5,751,552</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>1,143,379</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>
184,253	50,372	107,322	(64,124)	75,933	92,584	1,895
416,862	325,172	655,857	800,914	1,431,260	1,730,338	801,886
30,509	8,312	4,170	-	88,106	184,602	4,000
(196,526)	(227,012)	(254,632)	(119,877)	(126,549)	(320,253)	(127,154)
<u>21,669</u>	<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>456,767</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>\$ 1,600,146</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>
5.70%	9.93%	0.63%	4.29%	9.99%	5.27%	5.70%
10.13%	4.77%	(1.44)%	13.06%	10.58%	6.61%	2.33%
8.00%	(2.93)%	8.69%	5.45%	53.61%	7.65%	7.40%
551,228	561,792	548,384	560,468	552,349	495,203	490,599
32,937	32,569	32,664	30,385	24,990	25,421	20,447



**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, 2016, 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 3, 2016.

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, 2016 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 3, 2016

**Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2016**

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, 2016**

Part II—Findings Related to Required Statutory Reporting

16-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

16-II-B TRAVEL EXPENSE

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

16-II-C BOARD MINUTES

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

16-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.

16-II-E SOLID WASTE FEES RETAINAGE

During the year ended June 30, 2016, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

16-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, 2016	\$6,396,814	\$6,706,901
Less balance of funds held in the local dedicated fund at June 30, 2016	7,959,434	8,692,306
	(1,562,620)	(1,985,405)
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, 2016	\$ _____	\$ _____
Required balance of funds held in the local dedicated fund at June 30, 2016	<u>\$6,396,814</u>	<u>\$6,706,901</u>
Amount Authority has restricted for closure and postclosure care at June 30, 2016	<u>\$7,959,434</u>	<u>\$8,692,306</u>