

**Metro Waste Authority
Des Moines, Iowa**

FINANCIAL REPORT

June 30, 2023 and 2022

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**Metro Waste Authority
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean O'Connor	Chair	Altoona
Rob Sarchet	Vice Chair	Polk City
Mark Holm	Member	Ankeny
Bob Pepper	Member	Bondurant
John Edwards	Member	Clive
Joe Gatto	Member	Des Moines
Steve Allen	Member	Elkhart
David Gisch	Member	Grimes
Tom Cope	Member	Johnston
Bill Roberts	Member	Mitchellville
Brian Baker	Member	Norwalk
Mark Konrad	Member	Pleasant Hill
Tom Hockensmith	Member	Polk County
Gerald Lane	Member	Runnells
Matt Blake	Member	Urbandale
Doug Loots	Member	West Des Moines
Susan Skeries	Member	Windsor Heights
Planning Area Members		
Bob Kramme	Mayor	Alleman
Drew Merrifield	Mayor	Carlisle
Kandi Petry	Mayor	Hartford
Gary Bartels	Mayor	Mingo
Chad Alleger	Mayor	Prairie City
Don Towers	Mayor	Sheldahl
Michael McCoy	Executive Director	

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Metro Waste Authority
Des Moines, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Metro Waste Authority (the Authority) (a joint public body), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metro Waste Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro Waste Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Metro Waste Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro Waste Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 7 through 10 and 32 through 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 26, 2023, on our consideration of Metro Waste 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metro Waste Authority's 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 Metro Waste Authority's internal control over financial reporting and compliance.

Denman CPA LLP
Denman CPA LLP

West Des Moines, Iowa
December 26, 2023

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, 2023 and 2022. We encourage readers to consider this information with MWA's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

MWA continues to provide for the environmentally safe disposal of solid waste, hazardous waste and recycling for the Central Iowa area and has exceeded its budgeted income each of the last seven years. Here are some of the financial highlights from fiscal year 2023, with comparisons to the prior year:

- In FY 2023, total revenues were \$58.5 million, reflecting an increase of 11%. Total expenses were \$45.9 million, which was an increase of 9%. Surplus results for the year were \$12.6 million, up from \$10.5 million the prior year. Overall tonnage increased less than 1% to just over 940,000 tons, continuing the agency's record of increasing volumes each year.
- Total assets as of the end of year were \$179 million, an increase of about \$12 million, reflecting about 7% growth. This reflects increased investments in capital assets of about \$18 million during the year, before consideration of about \$10 million of current year depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management discussion and analysis, the independent auditor's report, and the basic financial statements of MWA. The financial statements also include detailed notes to support 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 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 agency 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 cash came from, what was cash used for, and what was the change in the cash balance during the reporting periods.

ANALYSIS OF MWA FINANCIAL POSITION

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the net position of MWA and the changes in them. MWA's net position (the difference between assets and liabilities) is one way to measure the agency'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

The net position of the agency's balance sheet reflects the difference between the agency's assets and the amounts owed to third parties. The net position is further defined to reflect amounts invested in capital assets, amounts restricted for a particular purpose, and amounts which are unrestricted and available for the future needs of the agency. Summary balance sheet information is set forth below.

Condensed Statements of Net Position

	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2021</u>
Assets and Deferred Outflows of Resources					
Current and other assets	\$ 42,544,837	\$ 40,206,887	\$ 2,337,950	6%	\$ 34,809,953
Restricted assets	43,360,403	41,643,180	1,717,223	4%	41,976,684
Lease receivables	1,061,580	1,018,326	43,254	4%	695,203
Capital assets	91,883,625	84,054,098	7,829,527	9%	81,329,810
Total assets	<u>178,850,445</u>	<u>166,922,491</u>	<u>11,927,954</u>	<u>7%</u>	<u>158,811,650</u>
Deferred outflows of resources	<u>1,249,426</u>	<u>920,128</u>	<u>329,298</u>	<u>36%</u>	<u>1,101,973</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities	12,282,421	10,779,315	1,503,106	14%	11,821,001
Long-term debt	21,741,909	24,817,897	(3,075,988)	-12%	27,397,950
Closure and post closure costs	22,524,146	20,827,745	1,696,401	8%	18,541,402
Net pension liability	3,111,888	101,550	3,010,338	2964%	4,877,222
Total liabilities	<u>59,660,364</u>	<u>56,526,507</u>	<u>3,133,857</u>	<u>6%</u>	<u>62,637,575</u>
Deferred inflows of resources	<u>1,274,858</u>	<u>4,749,583</u>	<u>(3,474,725)</u>	<u>-73%</u>	<u>882,545</u>
Net position					
Net invested in capital assets	64,347,513	53,790,398	10,557,115	20%	58,055,196
Restricted for transfer station closure	320,000	320,000	-	0%	320,000
Unrestricted	54,497,136	52,456,131	2,041,005	4%	37,718,307
Total net position	<u>\$ 119,164,649</u>	<u>\$ 106,566,529</u>	<u>\$ 12,598,120</u>	<u>12%</u>	<u>\$ 96,093,503</u>

The agency's net position increased approximately \$12.6 million in FY 2023 and \$10.5 million in FY 2022, reflecting the operating surplus in each year. A significant portion of the surplus from FY 2023 was reinvested in capital assets, with the end of year balance reflecting an increase of \$10.6 million. Investments in capital assets were \$17.7 million during the year before consideration of current year depreciation expense, which totaled \$9.8 million.

Restricted assets include cash and investments that have been designated by MWA's Board of Directors for landfill closure and post closure costs and for the purchase of capital assets. Federal and State regulations require MWA to complete a closure/post closure plan and to provide necessary funding, including the proper monitoring and care of the landfill after closure. For more detailed information, see note 6 of the financial statements.

These statements highlight the significant infrastructure required for MWA to deliver essential services to its stakeholders. The relationship between the agency's net position and its lower debt levels illustrates the conservative approach management has taken relative to the financial structure of the agency, utilizing surplus funds rather than debt to finance operations.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The current year surplus of revenues over expenses, which increased the net position of the balance sheet, is summarized below, along with historical information and comparisons.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	FY 2023	FY 2022	\$ Change	% Change	FY 2021
Revenues					
Operating revenues	\$ 56,433,211	\$ 52,438,779	\$ 3,994,432	8%	\$ 44,140,809
Investment income (loss)	1,478,270	(982,889)	2,461,159	-250%	(43,317)
Nonoperating revenues	557,104	1,096,499	(539,395)	-49%	378,486
Total revenues	58,468,585	52,552,389	5,916,196	11%	44,475,978
Expenses					
Operating expenses	35,489,871	32,434,849	3,055,022	9%	28,281,286
Depreciation	9,790,728	9,017,688	773,040	9%	8,017,894
Nonoperating expenses	589,866	626,826	(36,960)	-6%	737,327
Total expenses	45,870,465	42,079,363	3,791,102	9%	37,036,507
Change in net position	12,598,120	10,473,026			7,439,471
Beginning net position	106,566,529	96,093,503			88,654,032
Ending net position	<u>\$119,164,649</u>	<u>\$106,566,529</u>			<u>\$ 96,093,503</u>

Total current year revenues were \$58.5 million, reflecting an increase of \$5.9 million (11%) over the prior year. Of the year-over-year increase, \$4.0 million is attributable to an increase in regular operating revenues and \$2.5 million reflects increased investment income compared to last year, offset by a decline in nonoperating revenues of \$.5 million compared to last year.

Total expenses were \$45.9 million, an increase of \$3.8 million (9%) over last year. The increase in expenses primarily reflects expected increases in wages and other operating expenses across the agency. Fiscal year 2023 was the first full year of operations of the Metro Recycling Facility; this impacts the year-over-year comparisons. Given that the facility operates at a deficit, this has a more pronounced effect on the comparison of year-over-year expenses when comparing the years.

The change in net position as of the end of the year reflects the surplus of revenues over expenses of \$12.6 million in the current year, up from the prior year's surplus of \$10.5 million. Management believes that is necessary for the agency to operate at a surplus in order to generate funds that can be invested and generate earnings that will allow MWA to meet its current and future obligations in terms of capital needs for future asset replacement, ongoing landfill cell development, and future obligations related to landfill closure and post closure costs. By doing so, it can better ensure its ability to continue to deliver on its promise made to its founding municipalities and stakeholders and exceed expectations built on past successes and results. Given the long-term nature of its activities and the need to fund significant future expenses, it is critical that current results generate a surplus which can help fund future obligations which arise out of current activities.

CAPITAL ASSETS

As stated previously, the activity of MWA requires copious levels of investment in infrastructure and it is critical that the agency generates sufficient resources to meet the long-term capital needs. Investments in capital assets are summarized below, broken out by asset types. Balances as of the end of the current and prior fiscal years and comparisons are set forth below.

	Capital Assets				
Asset Type:	FY 2023	FY 2022	\$ Change	% Change	FY 2021
Land & land improvements	\$ 22,834,132	\$ 22,835,276	\$ (1,144)	0%	\$ 22,802,767
Buildings & building improvements	59,185,752	58,581,714	604,038	1%	43,155,337
Landfill cell development	47,172,225	34,802,022	12,370,203	36%	34,802,022
Wetlands treatment facility	4,408,832	4,408,832	-	0%	4,408,832
Equipment	60,354,224	56,962,157	3,392,067	6%	43,871,389
Work in process	3,954,400	2,746,641	1,207,759	44%	22,248,177
Subtotal	197,909,565	180,336,642	17,572,923	10%	171,288,524
Less: accumulated depreciation	106,025,940	96,282,544	9,743,396	10%	89,958,714
Net capital assets	<u>\$ 91,883,625</u>	<u>\$ 84,054,098</u>	<u>\$ 7,829,527</u>	<u>9%</u>	<u>\$ 81,329,810</u>

The increase in capital assets in FY 2023 reflects a significant investment in a new cell development at the Metro Park East landfill, in addition to regular capital spending across the agency. The agency's operations are capital-intensive, and managing present and future capital needs is a primary focus of the agency's management. For this reason, it is critical the agency continues to generate surplus results in a manner that allows it to meet those future needs.

LONG-TERM DEBT

On June 4, 2020, MWA entered into a loan agreement with Polk County for \$22.35 million with an interest rate of 2.4747%. Semiannual interest and principal are due through June 1, 2040. The proceeds from this loan were used to build the Materials Recovery Facility.

On June 4, 2020, MWA entered into a loan agreement with Polk County for \$8.165 million with an interest rate of 1.2645%. Semiannual interest and principal are due through June 1, 2024. The proceeds from this loan were used to refinance the building of the Metro Northwest Transfer Station located in Grimes, Iowa.

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 MWA'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**

	June 30	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,724,145	\$ 15,547,224
Investments	26,543,299	17,829,303
Disposal fees receivable, less allowance for uncollectible accounts 2023 and 2022 \$100,000	7,777,410	6,215,886
Prepaid expenses, accrued interest and other assets	184,748	311,296
Inventories	<u>315,235</u>	<u>303,178</u>
Total current assets	<u>42,544,837</u>	<u>40,206,887</u>
ASSETS WHOSE USE IS LIMITED		
Investments	<u>43,360,403</u>	<u>41,643,180</u>
LEASE RECEIVABLES	<u>1,061,580</u>	<u>1,018,326</u>
CAPITAL ASSETS	197,909,565	180,336,642
Less accumulated depreciation and amortization	<u>106,025,940</u>	<u>96,282,544</u>
Total capital assets	<u>91,883,625</u>	<u>84,054,098</u>
Total assets	<u>178,850,445</u>	<u>166,922,491</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>1,249,426</u>	<u>920,128</u>
CURRENT LIABILITIES		
Current portion of notes payable	2,850,000	2,630,000
Construction contracts payable	2,944,203	2,815,803
Trade accounts payable	3,707,209	2,997,304
Landfill tax payable	787,791	480,074
Accrued payroll and employee benefits	1,644,215	1,531,414
Other accrued expenses	<u>349,003</u>	<u>324,720</u>
Total current liabilities	<u>12,282,421</u>	<u>10,779,315</u>
LONG-TERM LIABILITIES		
Notes payable, net current portion	21,741,909	24,817,897
Accrued landfill closure and postclosure care costs	22,524,146	20,827,745
Net pension liability	<u>3,111,888</u>	<u>101,550</u>
Total long-term liabilities	<u>47,377,943</u>	<u>45,747,192</u>
Total liabilities	<u>59,660,364</u>	<u>56,526,507</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	873,508	946,892
Pension	<u>401,350</u>	<u>3,802,691</u>
Total deferred inflows of resources	<u>1,274,858</u>	<u>4,749,583</u>
NET POSITION		
Net investment in capital assets	64,347,513	53,790,398
Restricted for transfer station closure	320,000	320,000
Unrestricted	<u>54,497,136</u>	<u>52,456,131</u>
Total net position	<u>\$119,164,649</u>	<u>\$106,566,529</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2023	2022
REVENUES		
Landfill, transfer, compost, RCC, curbside recycling, and rental	\$ 56,433,211	\$ 52,438,779
OPERATING EXPENSES		
Operating expenses (excluding depreciation and amortization)	33,746,195	30,102,499
Provision for landfill closure and postclosure care costs	<u>1,743,676</u>	<u>2,332,350</u>
Operating income before depreciation and amortization	<u>20,943,340</u>	<u>20,003,930</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	7,171,341	6,593,377
Amortization	<u>2,619,387</u>	<u>2,424,311</u>
	<u>9,790,728</u>	<u>9,017,688</u>
Operating income	<u>11,152,612</u>	<u>10,986,242</u>
NONOPERATING REVENUES (EXPENSES)		
Farm income, net related expenses	149,152	132,332
Grant revenue	76,664	141,947
Investment income (loss)	1,478,270	(982,889)
Gain on sale of capital assets	3,681	430,541
Interest expense	(589,866)	(626,826)
Other	<u>327,607</u>	<u>391,679</u>
Total nonoperating revenues (expenses)	<u>1,445,508</u>	<u>(513,216)</u>
Change in net position	12,598,120	10,473,026
NET POSITION, beginning of year	<u>106,566,529</u>	<u>96,093,503</u>
NET POSITION, end of year	<u>\$119,164,649</u>	<u>\$106,566,529</u>

See Notes to Financial Statements.

**Metro Waste Authority
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$54,458,227	\$49,658,928
Cash paid to suppliers for goods and services	(24,039,166)	(22,623,090)
Cash paid to employees for services	(8,479,763)	(7,448,176)
Cash paid for host fees	(364,019)	(326,985)
Community clean up grants paid	(12,110)	(17,008)
Net cash flows from operating activities	<u>21,563,169</u>	<u>19,243,669</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(2,630,000)	(2,420,000)
Interest paid on notes payable	(821,650)	(881,900)
Purchase of capital assets	(17,749,799)	(13,566,121)
Cash received on sale of capital assets	4,825	708,833
Payments for landfill cell closure	(47,275)	(46,007)
Grants received	76,664	141,947
Net cash flow from capital and related financing activities	<u>(21,167,235)</u>	<u>(16,063,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	-	6,932,270
Purchase of investments	(9,048,350)	-
Interest received	55,756	13,793
Net cash received from leasing and other activities	773,581	760,517
Net cash flow from investing activities	<u>(8,219,013)</u>	<u>7,706,580</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,823,079)	10,887,001
CASH AND CASH EQUIVALENTS		
Beginning	<u>15,547,224</u>	<u>4,660,223</u>
Ending	<u>\$ 7,724,145</u>	<u>\$15,547,224</u>

See Notes to Financial Statements.

Metro Waste Authority
STATEMENTS OF CASH FLOWS (continued)

	<u>Year ended June 30</u>	
	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$11,152,612	\$10,986,242
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	9,790,728	9,017,688
Provision for closure and postclosure care costs	1,743,676	2,332,350
Lease revenue	(413,460)	(307,940)
Changes in assets and liabilities		
Disposal fees receivable	(1,561,524)	(2,471,911)
Prepaid expenses and other assets, net of investing activities	166,193	479,958
Inventories	(12,057)	(113,428)
Deferred outflows of resources	(329,298)	181,845
Payables, net of amounts for capital assets	1,274,422	534,022
Accrued payroll and employee benefits	142,880	(234,834)
Net pension liability	3,010,338	(4,775,672)
Deferred inflows of resources	<u>(3,401,341)</u>	<u>3,615,349</u>
Net cash flows from operating activities	<u>\$21,563,169</u>	<u>\$19,243,669</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 are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority has no governmental or fiduciary funds.

The Authority's accounts are organized as an enterprise fund. The enterprise 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.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred which can be paid using either restricted or unrestricted resources, the Authority's policy is generally to first apply the expense toward restricted resources and then to less-restrictive classifications.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Disposal Fees Receivable

Disposal fees are recorded at the time of service. The Authority provides for an allowance for doubtful accounts that is estimated based on the Authority's historical losses, the existing economic conditions and the financial stability of the customers. The amount of the allowance for doubtful accounts as of June 30, 2023 and 2022 was \$100,000. Receivables are written off when they are determined to be uncollectible.

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

To match the expense related to landfill cell development with the revenue generated by the landfill operations, the Authority amortizes landfill cell development costs on a units-of-consumption basis over its operating life, on a cubic yard of disposal space consumed. Landfill cell development costs are fully amortized at the end of a landfill cell's operating life. The per-unit amortization rate is calculated by dividing the sum of landfill cell development net book value plus estimated future development costs for the landfill cell, by the landfill cell's estimated remaining disposal capacity.

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.

Leases

The Authority is the lessor for certain noncancellable office space leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the accompanying statements of net position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term, discounted at the Authority's incremental borrowing rate. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Landfill Tax Payable

The Authority is required by the Iowa Department of Natural Resources (DNR) to collect and remit to the DNR a tonnage fee surcharge on non-exempt disposed waste. The Authority's accounting policy is to exclude the tonnage fee surcharge collected and remitted from revenues and expenses.

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, 2023 and 2022, 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.

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

The nonnegotiable certificates of deposit 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 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 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.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statements of net position consists of the unamortized items related to the Authority's pension plan and deferred amounts related to the Authority's lease receivables.

Net Position

Net position is presented in the following three components:

Net investment in Capital Assets

Net investment in capital assets consists of capital assets and unspent bond proceeds, net of accumulated depreciation and amortization and reduced by liabilities 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.

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2023 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. 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.

<u>Security Description</u>	Investment Maturities as of June 30, 2023 (in Years)			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>More Than 5</u>
Cash equivalents	\$48,601,481	\$48,601,481	\$ –	\$ –
Federal Farm Credit Bank	7,949,651	–	7,949,651	–
FMCC	2,405,110	–	2,405,110	–
FHLB	9,008,213	–	9,008,213	–
FNMA	1,684,673	–	1,663,977	20,696
Certificates of deposit	<u>254,574</u>	<u>–</u>	<u>254,574</u>	<u>–</u>
	<u>\$69,903,702</u>	<u>\$48,601,481</u>	<u>\$21,281,525</u>	<u>\$ 20,696</u>

<u>Security Description</u>	Investment Maturities as of June 30, 2022 (in Years)			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>More Than 5</u>
Cash equivalents	\$39,163,611	\$39,163,611	\$ –	\$ –
Federal Farm Credit Bank	6,975,308	–	6,975,308	–
FMCC	3,389,515	–	3,389,515	–
FHLB	8,206,614	–	8,206,614	–
FNMA	1,485,092	–	1,459,395	25,697
Certificates of deposit	<u>252,343</u>	<u>–</u>	<u>252,343</u>	<u>–</u>
	<u>\$59,472,483</u>	<u>\$39,163,611</u>	<u>\$20,283,175</u>	<u>\$ 25,697</u>

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 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, 2023, all of the Authority's investments subject to credit quality ratings were rated AAA by Moody's Investor Service.

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.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited at June 30, 2023 and 2022 were limited for the following purposes:

	June 30	
	2023	2022
Legally restricted assets whose use is limited		
Closure and postclosure care costs	\$22,524,146	\$20,827,745
Transfer station closure	320,000	320,000
Under escrow agreement	424,424	480,055
Bond sinking fund	315,529	294,706
Total	<u>23,584,099</u>	<u>21,922,506</u>
Board designated assets whose use is limited		
Capital projects	19,176,304	19,120,674
Environmental contingencies	600,000	600,000
	<u>19,776,304</u>	<u>19,720,674</u>
Total assets whose use is limited	<u>\$43,360,403</u>	<u>\$41,643,180</u>

Assets designated by the Board of Directors for capital projects and environmental contingencies, 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, 2023, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2023</u>
Metro Park East					
Land	\$ 8,419,151	\$ -	\$ -	\$ -	\$ 8,419,151
Building	15,944,708	56,679	-	-	16,001,387
Landfill improvements	2,478,114	-	(1,144)	-	2,476,970
Landfill cell development	31,429,489	-	-	12,370,203	43,799,692
Wetlands treatment facility	4,408,832	-	-	-	4,408,832
	<u>62,680,294</u>	<u>56,679</u>	<u>(1,144)</u>	<u>12,370,203</u>	<u>75,106,032</u>
Metro Park West					
Land	4,682,614	-	-	-	4,682,614
Land improvements	454,292	-	-	-	454,292
Building	264,114	-	-	-	264,114
Landfill cell development	3,372,533	-	-	-	3,372,533
	<u>8,773,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,773,553</u>
Metro Northwest Transfer Station					
Land	1,899,162	-	-	-	1,899,162
Building	9,443,464	-	-	-	9,443,464
Land improvements	3,928,184	-	-	-	3,928,184
	<u>15,270,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,270,810</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	217,642	-	-	-	217,642
Building	5,036,064	-	-	-	5,036,064
	<u>5,342,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,342,927</u>
Metro Compost Center					
Leasehold improvements	1,507,780	-	-	-	1,507,780
Regional Collection Center					
Land	168,896	-	-	-	168,896
Building	3,181,873	20,867	-	-	3,202,740
	<u>3,350,769</u>	<u>20,867</u>	<u>-</u>	<u>-</u>	<u>3,371,636</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,777,334	-	-	232,345	8,009,679
	<u>8,275,334</u>	<u>-</u>	<u>-</u>	<u>232,345</u>	<u>8,507,679</u>
Materials Recovery Facility					
Building	15,426,377	294,147	-	-	15,720,524
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	1,765,676	-	-	-	1,765,676
Disposal	23,434,879	1,732,509	(47,331)	587,770	25,707,827
Transfer Station	6,746,921	-	-	-	6,746,921
Regional Collection Center	828,735	-	-	-	828,735
Recycling	5,161,619	-	-	328,217	5,489,836
Compost Facility	3,588,815	-	-	-	3,588,815
Metro Northwest Transfer Station	1,803,093	309,843	-	-	2,112,936
Materials Recovery Facility	13,632,419	481,059	-	-	14,113,478
	<u>56,962,157</u>	<u>2,523,411</u>	<u>(47,331)</u>	<u>915,987</u>	<u>60,354,224</u>
Construction in progress	<u>2,746,641</u>	<u>14,726,294</u>	<u>-</u>	<u>(13,518,535)</u>	<u>3,954,400</u>
Totals	180,336,642	17,621,398	(48,475)	-	197,909,565
Less accumulated depreciation and amortization	<u>(96,282,544)</u>	<u>(9,790,728)</u>	<u>47,332</u>	<u>-</u>	<u>(106,025,940)</u>
Net capital assets	<u>\$ 84,054,098</u>	<u>\$ 7,830,670</u>	<u>\$ (1,143)</u>	<u>\$ -</u>	<u>\$ 91,883,625</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

During the year ended June 30, 2022, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2022</u>
Metro Park East					
Land	\$ 8,419,151	\$ -	\$ -	\$ -	\$ 8,419,151
Building	15,944,708	-	-	-	15,944,708
Landfill improvements	2,476,970	1,144	-	-	2,478,114
Landfill cell development	31,429,489	-	-	-	31,429,489
Wetlands treatment facility	4,408,832	-	-	-	4,408,832
	<u>62,679,150</u>	<u>1,144</u>	<u>-</u>	<u>-</u>	<u>62,680,294</u>
Metro Park West					
Land	4,651,249	31,365	-	-	4,682,614
Land improvements	454,292	-	-	-	454,292
Building	264,114	-	-	-	264,114
Landfill cell development	3,372,533	-	-	-	3,372,533
	<u>8,742,188</u>	<u>31,365</u>	<u>-</u>	<u>-</u>	<u>8,773,553</u>
Metro Northwest Transfer Station					
Land	1,899,162	-	-	-	1,899,162
Building	9,443,464	-	-	-	9,443,464
Land improvements	3,928,184	-	-	-	3,928,184
	<u>15,270,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,270,810</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	217,642	-	-	-	217,642
Building	5,036,064	-	-	-	5,036,064
	<u>5,342,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,342,927</u>
Metro Compost Center					
Leasehold improvements	1,507,780	-	-	-	1,507,780
Regional Collection Center					
Land	168,896	-	-	-	168,896
Building	3,181,873	-	-	-	3,181,873
	<u>3,350,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,350,769</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,777,334	-	-	-	7,777,334
	<u>8,275,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,275,334</u>
Materials Recovery Facility					
Building	-	-	-	15,426,377	15,426,377
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	1,714,548	51,128	-	-	1,765,676
Disposal	24,064,892	2,336,685	(2,972,148)	5,450	23,434,879
Transfer Station	6,746,921	-	-	-	6,746,921
Regional Collection Center	791,501	37,234	-	-	828,735
Recycling	5,161,619	-	-	-	5,161,619
Compost Facility	3,588,815	-	-	-	3,588,815
Metro Northwest Transfer Station	1,803,093	-	-	-	1,803,093
Materials Recovery Facility	-	-	-	13,632,419	13,632,419
	<u>43,871,389</u>	<u>2,425,047</u>	<u>(2,972,148)</u>	<u>13,637,869</u>	<u>56,962,157</u>
Construction in progress	<u>22,248,177</u>	<u>9,562,710</u>	<u>-</u>	<u>(29,064,246)</u>	<u>2,746,641</u>
Totals	171,288,524	12,020,266	(2,972,148)	-	180,336,642
Less accumulated depreciation and amortization	<u>(89,958,714)</u>	<u>(9,017,688)</u>	<u>2,693,858</u>	<u>-</u>	<u>(96,282,544)</u>
Net capital assets	<u>\$ 81,329,810</u>	<u>\$3,002,578</u>	<u>\$ (278,290)</u>	<u>\$ -</u>	<u>\$ 84,054,098</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

Land with a carrying value of approximately \$9,535,000 was not used in the landfill operations as of June 30, 2023 and 2022. Of this amount, approximately \$8,302,000 was leased or farmed as farmland as of June 30, 2023 and 2022.

The Authority has entered into various construction contracts. The unpaid contract balances as of June 30, 2023 totaled approximately \$327,000 which will be paid from cash and investment reserves and other sources.

NOTE 5 NOTES PAYABLE

Notes payable at June 30, 2023 and 2022 are summarized as follows:

	2023	2022
General Obligation Capital Loan Notes Series 2020A	\$21,150,000	\$21,715,000
General Obligation Capital Loan Notes Series 2020B	<u>2,105,000</u>	<u>4,170,000</u>
	23,255,000	25,885,000
Less current portion	(2,850,000)	(2,630,000)
Plus unamortized bond premium	<u>1,336,909</u>	<u>1,562,897</u>
Long-term debt	<u>\$21,741,909</u>	<u>\$24,817,897</u>

General Obligation Capital Loan Notes, Series 2020

In June 2020, Polk County, Iowa issued General Obligation Capital Loan Notes, Series 2020A and 2020B of which \$22,350,000 and \$8,165,000, respectively, were allocable to the Authority. Proceeds from the notes will be used by the Authority to repay previous loan obligations and finance the Materials Recovery Facility project. The Authority has pledged future net revenues to repay the Notes. The Notes require several covenants, including maintaining net revenues of at least 125% of the amount of principal and interest due annually and maintaining 75 days of unrestricted cash on hand at all times. The loans bear interest at rates ranging from 2% to 5%.

Principal and interest maturities of the notes payable at June 30, 2023 are summarized as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 2,850,000	\$ 752,100	\$ 3,602,100
2025	960,000	672,750	1,632,750
2026	1,010,000	624,750	1,634,750
2027	1,060,000	574,250	1,634,250
2028	1,115,000	521,250	1,636,250
2029-2033	6,080,000	2,085,000	8,165,000
2034-2038	7,055,000	1,116,000	8,171,000
2039-2040	<u>3,125,000</u>	<u>141,300</u>	<u>3,266,300</u>
Totals	<u>\$23,255,000</u>	<u>\$ 6,487,400</u>	<u>\$29,742,400</u>

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 5 NOTES PAYABLE (continued)

A summary of changes in notes payable for the year ended June 30, 2023 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
GO Capital Loan Notes, Series 2020A	\$21,715,000	\$ —	\$ 565,000	\$21,150,000	\$ 745,000
GO Capital Loan Notes, Series 2020B	<u>4,170,000</u>	<u>—</u>	<u>2,065,000</u>	<u>2,105,000</u>	<u>2,105,000</u>
Totals	<u>\$25,885,000</u>	<u>\$ —</u>	<u>\$2,630,000</u>	<u>\$23,255,000</u>	<u>\$2,850,000</u>

A summary of changes in notes payable for the year ended June 30, 2022 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
GO Capital Loan Notes, Series 2020A	\$22,110,000	\$ —	\$ 395,000	\$21,715,000	\$ 565,000
GO Capital Loan Notes, Series 2020B	<u>6,195,000</u>	<u>—</u>	<u>2,025,000</u>	<u>4,170,000</u>	<u>2,065,000</u>
Totals	<u>\$28,305,000</u>	<u>\$ —</u>	<u>\$2,420,000</u>	<u>\$25,885,000</u>	<u>\$2,630,000</u>

NOTE 6 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, 2023 and 2022:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Postclosure care	\$ 9,485,865	\$ 9,539,096
Landfill closure	<u>13,038,281</u>	<u>11,288,649</u>
Totals	<u>\$22,524,146</u>	<u>\$20,827,745</u>

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 CLOSURE AND POSTCLOSURE CARE COSTS (continued)

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2023 and 2022 is as follows:

	Year ended June 30	
	2023	2022
Provision for postclosure care	\$ (5,956)	\$ 774,001
Provision for landfill closure	<u>1,749,632</u>	<u>1,558,349</u>
Totals	<u>\$1,743,676</u>	<u>\$2,332,350</u>

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately \$27,440,000 as of June 30, 2023, and the portion of the liability that has been recognized is \$22,524,146. This liability represents the cumulative amount reported to date based on the use of approximately 77 percent of the capacity of the developed landfill less payments for cell closure, with a remaining life of approximately 3.77 years. A provision for the above liability has been made on the Authority's statements of net position as of June 30, 2023 and 2022. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the statements of net position and total \$22,524,146 and \$20,827,745 as of June 30, 2023 and 2022, respectively.

NOTE 7 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, 2023 and 2022 have been estimated at \$320,000. The balance has been restricted and is fully funded at June 30, 2023 and 2022.

NOTE 8 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 of June 30, 2023 and 2022, there were no unspent amounts retained by the Authority.

NOTE 9 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (continued)

Plan Description (continued)

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% 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% 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

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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.

In fiscal years 2023 and 2022, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the Authority contributed 9.44% for a total rate of 15.73%.

The Authority's contributions to IPERS for the years ended June 30, 2023 and 2022 were \$755,237 and \$637,790, respectively.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (continued)

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

At June 30, 2023 and 2022, the Authority reported a liability of \$3,111,888 and \$101,550, respectively, for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2022 and 2021, 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		
	June 30		
	2022	2021	Change
Authority's proportionate share	0.082365%	(0.029415)%	0.111781%
	2021	2020	Change
Authority's proportionate share	(0.029415)%	0.069429%	(0.098844)%

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense (gain) of \$34,936 and \$(340,688), respectively. At June 30, 2023 and 2022, 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	
	2023	2022	2023	2022
Difference between expected and actual experience	\$ 137,950	\$ 77,266	\$ 42,626	\$ 77,579
Change in assumptions	2,640	66,422	74	-
Net difference between projected and actual earnings on pension plan investments	-	-	333,118	3,679,323
Change in proportion and difference between Authority contributions and proportionate share of contributions	353,599	138,650	25,532	45,789
Authority contributions subsequent to the measurement date	<u>755,237</u>	<u>637,790</u>	<u>-</u>	<u>-</u>
Totals	<u>\$1,249,426</u>	<u>\$ 920,128</u>	<u>\$ 401,350</u>	<u>\$3,802,691</u>

\$755,237 and \$637,790 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 years ended June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,

2024	\$ (225,495)
2025	(145,087)
2026	(315,918)
2027	750,111
2028	<u>29,226</u>
Totals	<u>\$ 92,837</u>

There were no non-employer contributing entities at IPERS.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS' 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 asset allocation and best estimates of geometric 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>
Core Plus Fixed Income	22.0%	3.57%
Domestic Equity	17.5	4.79
International Equity	6.0	4.16
Private Equity	20.0	1.66
Private Real Assets	4.0	3.77
Public Credit	1.0	0.77
Private Credit	13.0	7.57
Global Smart Beta equity	8.5	3.55
Cash	<u>8.0</u>	3.63
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 to 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.

**Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

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 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability as of June 30, 2023	\$5,797,821	\$3,111,888	\$ 744,842
Authority's proportionate share of the net pension liability as of June 30, 2022	\$3,594,188	\$ 101,550	\$(2,825,503)

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.

Payables to the Pension Plan

At June 30, 2023 and 2022, the Authority reported payables to the defined benefit pension plan of approximately \$84,000 and \$48,000, respectively, for legally required employer contributions and approximately \$56,000 and \$32,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 10 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. 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 800 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, employment practices liability, public officials' liability, cyber liability, and law enforcement liability. 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% of basis rates.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 10 RISK MANAGEMENT (continued)

The Pool also provides property coverage. Members who elect such coverage make annual property 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, 2023 and 2022 were \$363,751 and \$366,654, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 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 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, 2023 and 2022, no liability has been recorded in the Authority's financial statements. As of June 30, 2023 and 2022, 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 11 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.

The Authority is involved in litigation arising in the ordinary course of activities. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the financial statements.

Metro Waste Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUBSEQUENT EVENTS

On September 12, 2023, a fire broke out in the agency's Metro Recycling Facility which caused significant damage and disruption to the facility. The fire was contained quickly but damage was sustained to certain equipment which caused a disruption in the ability to process material in the facility. The impacted equipment was replaced and put in service and the facility resumed full operations on November 13, 2023. The agency estimates the total damages, as a result of the fire, to be approximately \$2 million. The agency believes the full amount of the loss will be covered by insurance proceeds, other than a small deductible. As of December 26, 2023, approximately 58% of the insurance proceeds have been recouped and the claim is expected to be fully resolved and closed in early 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Metro Waste Authority
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
For the Last Nine Fiscal Years*
(In Thousands)
Required Supplementary Information

	June 30			
	2023	2022	2021	2020
Authority's proportion of the net pension liability	0.082365%	(.029415)%	.069429%	.070181%
Authority's proportionate share of the net pension liability	\$3,112	\$102	\$4,877	\$4,064
Authority covered payroll	\$8,000	\$6,751	\$5,898	\$5,558
Authority's proportionate share of the net pension liability as a percentage of its total covered payroll	39%	2%	83%	73%
IPERS net position as a percentage of the total pension liability	91%	101%	83%	85%

	June 30				
	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	.071320%	.070789%	.071600%	.071212%	.074213%
Authority's proportionate share of the net pension liability	\$4,513	\$4,715	\$4,506	\$3,518	\$2,943
Authority covered payroll	\$5,341	\$5,384	\$5,383	\$5,248	\$4,928
Authority's proportionate share of the net pension liability as a percentage of its total covered payroll	84%	88%	84%	67%	60%
IPERS net position as a percentage of the total pension liability	83%	82%	81%	85%	88%

Note: In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is completed, the Authority will present information for those years for which information is available.

See accompanying notes to required supplementary information – net pension liability.

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

	Year ended June 30				
	2023	2022	2021	2020	2019
Statutory required contribution	\$ 755	\$ 638	\$ 557	\$ 525	\$ 504
Contributions in relation to the statutorily required contribution	<u>755</u>	<u>638</u>	<u>557</u>	<u>525</u>	<u>504</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Authority's covered payroll	\$8,000	\$6,751	\$5,898	\$5,558	\$5,341
Contributions as a percentage of covered payroll	9.4%	9.4%	9.4%	9.4%	9.4%

	Year ended June 30				
	2018	2017	2016	2015	2014
Statutory required contribution	\$ 480	\$ 473	\$ 463	\$ 439	\$ 434
Contributions in relation to the statutorily required contribution	<u>480</u>	<u>473</u>	<u>463</u>	<u>439</u>	<u>434</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Authority's covered payroll	\$5,384	\$5,383	\$5,248	\$4,928	\$4,884
Contributions as a percentage of covered payroll	8.9%	8.8%	8.8%	8.9%	8.9%

See accompanying notes to required supplementary information – net pension liability.

Metro Waste Authority
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2023

CHANGES OF BENEFIT TERMS

There are no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for regular members.
- Lowered disability rates for regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- 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.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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, 2023 and 2022, and our report thereon dated December 26, 2023, which contained an unmodified opinion on those financial statements, appears on pages 4 through 6. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

We have also previously 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 for the nine years ended June 30, 2021 (which are not presented herein), and we expressed unmodified opinions on those financial statements.

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.

Denman CPA LLP

Denman CPA LLP

West Des Moines, Iowa
December 26, 2023

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES BY DEPARTMENT
Year ended June 30, 2023

	Combined	Metro Park East Landfill	Metro Park West Landfill
REVENUES			
Tipping fees, service fees and rental revenue	\$56,433,211	\$22,189,881	\$ 1,641,940
EXPENSES			
Operating expenses (excluding depreciation and amortization)	33,746,195	8,567,652	711,287
Provision for landfill closure and postclosure care costs	<u>1,743,676</u>	<u>1,193,301</u>	<u>550,375</u>
Total operating expenses	<u>35,489,871</u>	<u>9,760,953</u>	<u>1,261,662</u>
Operating income (loss) before depreciation and amortization	<u>20,943,340</u>	<u>12,428,928</u>	<u>380,278</u>
DEPRECIATION AND AMORTIZATION			
Depreciation	7,171,341	2,264,336	405,132
Amortization	<u>2,619,387</u>	<u>2,437,925</u>	<u>181,462</u>
	<u>9,790,728</u>	<u>4,702,261</u>	<u>586,594</u>
Operating income (loss)	<u>11,152,612</u>	<u>7,726,667</u>	<u>(206,316)</u>
NONOPERATING REVENUES (EXPENSES)			
Farm income, net of related expenses	149,152	146,752	2,400
Grant revenue	76,664	76,664	-
Investment income	1,478,270	-	-
Gain on sale of capital assets	3,681	-	-
Interest expense	(589,866)	-	-
Other revenues (expenses)	<u>327,607</u>	<u>37,750</u>	<u>(12)</u>
Total nonoperating revenues (expenses)	<u>1,445,508</u>	<u>261,166</u>	<u>2,388</u>
Increase (decrease) in net position	<u>\$12,598,120</u>	<u>\$ 7,987,833</u>	<u>\$ (203,928)</u>

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

Metro Waste Authority
COMBINING STATEMENT OF REVENUES AND EXPENSES BY DEPARTMENT (continued)
Year ended June 30, 2023

<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Materials Recovery Facility</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration*</u>
\$12,079,728	\$3,289,753	\$ 858,331	\$3,716,989	\$5,067,229	\$ 743,381	\$6,845,979
3,207,599	2,452,924	1,204,905	2,874,786	4,663,739	668,806	9,394,497
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>3,207,599</u>	<u>2,452,924</u>	<u>1,204,905</u>	<u>2,874,786</u>	<u>4,663,739</u>	<u>668,806</u>	<u>9,394,497</u>
<u>8,872,129</u>	<u>836,829</u>	<u>(346,574)</u>	<u>842,203</u>	<u>403,490</u>	<u>74,575</u>	<u>(2,548,518)</u>
1,861,665	250,016	156,423	1,788,159	116,050	247,253	82,307
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>1,861,665</u>	<u>250,016</u>	<u>156,423</u>	<u>1,788,159</u>	<u>116,050</u>	<u>247,253</u>	<u>82,307</u>
<u>7,010,464</u>	<u>586,813</u>	<u>(502,997)</u>	<u>(945,956)</u>	<u>287,440</u>	<u>(172,678)</u>	<u>(2,630,825)</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	1,478,270
—	—	—	—	—	—	3,681
(41,714)	—	—	(548,152)	—	—	—
<u>—</u>	<u>—</u>	<u>76</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>289,793</u>
<u>(41,714)</u>	<u>—</u>	<u>76</u>	<u>(548,152)</u>	<u>—</u>	<u>—</u>	<u>1,771,744</u>
<u>\$6,968,750</u>	<u>\$ 586,813</u>	<u>\$ (502,921)</u>	<u>\$(1,494,108)</u>	<u>\$ 287,440</u>	<u>\$ (172,678)</u>	<u>\$ (859,081)</u>

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES, EXCLUDING
DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2023

	<u>Combined</u>	<u>Metro Park East Landfill</u>	<u>Metro Park West Landfill</u>
Salaries	\$ 8,622,643	\$2,910,522	\$ 201,714
Payroll taxes	607,744	211,199	20,939
Benefits	944,932	421,220	48,587
Site maintenance	790,927	401,170	27,287
Recycling programs	10,349,186	-	-
Commodity share fee	447,130	-	-
Vehicle repairs and maintenance	2,565,855	886,854	68,019
Vehicle fuel	1,859,429	1,566,249	83,427
Computer maintenance	378,978	34,261	-
Minor equipment	90,059	64,504	3,742
Professional services	296,740	7,101	-
Engineering services	191,424	130,711	55,063
Graphics design/contract printing	63,675	37,893	29
Contract disposal	571,935	194,761	-
Property taxes and host fees	370,155	114,584	-
Telephone and utilities	518,943	149,705	20,765
Building and office supplies	711,941	282,403	16,260
Advertising	369,843	64,982	990
Travel	40,738	6,927	82
Postage	12,032	99	(135)
Credit card discount	414,743	354,199	2,455
Miscellaneous	194,645	6,241	4,633
Insurance	494,838	140,369	28,497
Leachate processing	704,943	576,135	128,808
Machinery and equipment rental	36,416	5,563	125
Office and facilities rent	172,800	-	-
Yard waste collection and bags	1,911,349	-	-
Community cleanup grants	12,110	-	-
Environmental Management System	42	-	-
Total operating expenses, excluding depreciation and amortization	<u>\$33,746,195</u>	<u>\$8,567,652</u>	<u>\$ 711,287</u>

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

Metro Waste Authority
COMBINING SUMMARY OF OPERATING EXPENSES, EXCLUDING (continued)
DEPRECIATION AND AMORTIZATION, BY DEPARTMENT
Year ended June 30, 2023

<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Materials Recovery Facility</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration*</u>
\$1,385,365	\$ 104,461	\$ 501,506	\$1,483,212	\$ 584,677	\$ -	\$1,451,186
110,805	17,371	39,460	77,444	37,697	-	92,829
198,991	16,609	54,221	79,481	29,962	-	95,861
28,625	15,008	17,854	3,558	-	297,425	-
-	-	80,492	-	3,740,413	-	6,528,281
-	-	-	447,130	-	-	-
1,011,527	262,594	5,777	306,160	24,924	-	-
137,266	6,819	10,448	45,316	-	-	9,904
6,186	454	2,360	4,852	199	-	330,666
5,630	1,059	1,315	10,368	22	-	3,419
-	-	-	3,050	-	-	286,589
3,150	2,500	-	-	-	-	-
-	7,401	1,930	3,971	7,977	-	4,474
-	-	265,958	-	110,118	1,098	-
54,156	-	31,340	-	-	170,075	-
60,040	4,042	40,239	149,432	-	62,162	32,558
137,525	346	49,546	81,675	2,252	78,527	63,407
5,396	69,998	54,245	17,011	106,241	-	50,980
-	-	2,326	4,054	81	-	27,268
-	-	24	117	-	-	11,927
-	499	(24)	-	-	-	57,614
1,182	2,422	4,175	34,891	88	10,731	130,282
61,755	29,332	41,239	93,470	19,088	48,788	32,300
-	-	-	-	-	-	-
-	660	474	29,594	-	-	-
-	-	-	-	-	-	172,800
-	1,911,349	-	-	-	-	-
-	-	-	-	-	-	12,110
-	-	-	-	-	-	42
<u>\$3,207,599</u>	<u>\$2,452,924</u>	<u>\$1,204,905</u>	<u>\$2,874,786</u>	<u>\$4,663,739</u>	<u>\$ 668,806</u>	<u>\$9,394,497</u>

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION

	Year ended June 30			
	2023	2022	2021	2020
REVENUES	\$56,433,211	\$52,438,779	\$44,140,809	\$40,902,064
EXPENSES				
Operating expenses (excluding depreciation and amortization)	33,746,195	30,102,499	26,761,728	25,003,038
Provision for landfill closure and postclosure care costs	<u>1,743,676</u>	<u>2,332,350</u>	<u>1,519,558</u>	<u>870,451</u>
Operating income before depreciation and amortization	<u>20,943,340</u>	<u>20,003,930</u>	<u>15,859,523</u>	<u>15,028,575</u>
DEPRECIATION AND AMORTIZATION				
Depreciation	7,171,341	6,593,377	5,651,441	5,457,131
Amortization	<u>2,619,387</u>	<u>2,424,311</u>	<u>2,366,453</u>	<u>2,651,437</u>
	<u>9,790,728</u>	<u>9,017,688</u>	<u>8,017,894</u>	<u>8,108,568</u>
Operating income	<u>11,152,612</u>	<u>10,986,242</u>	<u>7,841,629</u>	<u>6,920,007</u>
NONOPERATING REVENUES (EXPENSES)				
Farm income, net of related expenses	149,152	132,332	203,925	1,845
Grant revenue	76,664	141,947	-	-
Investment income (loss)	1,478,270	(982,889)	(43,317)	800,220
Gain (loss) on sale of capital assets	3,681	430,541	12,025	127,965
Interest expense	(589,866)	(626,826)	(737,327)	(341,560)
Debt issuance costs	-	-	-	(782,367)
Other	<u>327,607</u>	<u>391,679</u>	<u>162,536</u>	<u>254,590</u>
Total nonoperating revenues (expenses)	<u>1,445,508</u>	<u>(513,216)</u>	<u>(402,158)</u>	<u>60,693</u>
Increase in net position	<u>\$12,598,120</u>	<u>\$10,473,026</u>	<u>\$ 7,439,471</u>	<u>\$ 6,980,700</u>
Percent increase (decrease) from prior period				
Revenues	7.61%	18.80%	7.92%	8.23%
Operating expenses excluding depreciation and amortization	12.09%	12.48%	7.03%	2.52%
Provision for depreciation and amortization	8.57%	12.47%	(1.12)%	26.70%
Tonnage delivered to landfill (unaudited)	893,250	898,430	805,920	792,966
Compost tonnage (unaudited)	37,779	38,849	45,185	40,865

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

Metro Waste Authority
SUMMARY OF HISTORICAL OPERATING INFORMATION (continued)

Year ended June 30						
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$37,793,275	\$37,672,758	\$36,078,013	\$34,651,660	\$33,097,552	\$30,622,815	\$26,865,810
24,387,973	23,165,492	22,694,201	22,663,100	20,991,551	21,069,975	19,084,041
<u>3,102,483</u>	<u>3,225,229</u>	<u>1,492,485</u>	<u>(1,640,601)</u>	<u>1,300,385</u>	<u>1,548,092</u>	<u>1,543,947</u>
<u>10,302,819</u>	<u>11,282,037</u>	<u>11,891,327</u>	<u>13,629,161</u>	<u>10,805,616</u>	<u>8,004,748</u>	<u>6,237,822</u>
5,442,460	5,164,811	4,909,781	4,231,989	4,176,241	3,877,283	3,513,636
<u>957,452</u>	<u>1,081,891</u>	<u>1,903,815</u>	<u>1,383,954</u>	<u>1,326,790</u>	<u>1,862,711</u>	<u>1,794,940</u>
<u>6,399,912</u>	<u>6,246,702</u>	<u>6,813,596</u>	<u>5,615,943</u>	<u>5,503,031</u>	<u>5,739,994</u>	<u>5,308,576</u>
<u>3,902,907</u>	<u>5,035,335</u>	<u>5,077,731</u>	<u>8,013,218</u>	<u>5,302,585</u>	<u>2,264,754</u>	<u>929,246</u>
44,876	91,946	213,447	101,745	68,180	21,439	102,095
-	-	-	-	-	-	-
1,512,896	136,672	3,634	717,082	565,037	474,451	(344,085)
2,456	126,099	(123,018)	-	267,062	(238,539)	8,640
(395,075)	(418,164)	(453,663)	(493,018)	(534,252)	(144,913)	(161,084)
-	-	-	-	-	-	-
<u>62,506</u>	<u>70,523</u>	<u>207,610</u>	<u>4,333</u>	<u>9,856</u>	<u>7,519</u>	<u>26,079</u>
<u>1,227,659</u>	<u>7,076</u>	<u>(151,990)</u>	<u>330,142</u>	<u>375,883</u>	<u>119,957</u>	<u>(368,355)</u>
<u>\$ 5,130,566</u>	<u>\$ 5,042,411</u>	<u>\$ 4,925,741</u>	<u>\$ 8,343,360</u>	<u>\$ 5,678,468</u>	<u>\$ 2,384,711</u>	<u>\$ 560,891</u>
0.32%	4.42%	4.12%	4.69%	8.08%	13.98%	2.86%
5.28%	2.08%	0.14%	7.96%	(0.37)%	10.37%	6.78%
2.45%	(8.32)%	21.33%	2.05%	(4.13)%	8.13%	(7.70)%
741,382	750,706	710,050	685,898	673,870	629,003	575,553
34,783	35,128	35,479	47,221	48,747	35,566	32,611

**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**

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 (the Authority) as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 26, 2023.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on 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 financial statements. 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, 2023 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.

Metro Waste Authority's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Authority's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 that 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 CPA LLP

West Des Moines, Iowa
December 26, 2023

**Metro Waste Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2023**

SECTION I – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

2023-001 RECONCILIATIONS OF CASH ACCOUNTS AND CUSTOMER BALANCES

Material Weakness

Criteria

Timely recurring reconciliations of the Authority's cash accounts and customer receivable ledgers are an integral part of the Authority's internal control over financial reporting and ensure the accuracy of the Authority's reported cash balances and balances owed to the Authority by its customers. Reconciliations should be performed monthly as part of the Authority's recurring month-end closing procedures.

Condition

While Authority staff were attempting to perform monthly reconciliation of cash accounts and customer account balances, staff were identifying recurring discrepancies which were unable to be resolved in a timely manner.

Cause

Discrepancies in cash account reconciliations and customer account balances appear to be the result of inconsistencies in how customer payments are being recorded in the subsidiary ledger and the general ledger.

Effect

The Authority's internally prepared financial statements were materially inaccurate. Correcting entries were required as part of the audit procedures to correct management's prepared financial statements. Accounting procedures being utilized by staff may result in inaccurate customer balances.

Recommendation

The Authority should review its current procedures for posting customer payments in order to better align the posting to the general ledger with the cash receipt. Additional training of staff on the Authority's subsidiary ledger systems may be necessary.

Response

During the year ended June 30, 2023, there was significant turnover in the finance department of the agency and understaffing for a portion of the year. This led to a loss of knowledge of and familiarity with the agency's systems and processes and created difficulties in keeping up with the workflow. Management believes the finance department has since been fully and appropriately staffed, and these issues are being addressed and improvements underway. Progress in these areas will remain a priority of the finance department to ensure financial records are accurate and complete.

Conclusion

Response accepted.

Metro Waste Authority
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2023

SECTION I – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

2023-002 CONTRACT MANAGEMENT

Material Weakness

Criteria

Revenues and expenses under U.S. GAAP are to be recognized within the financial statements during the fiscal period in which the revenue and expense were incurred. A careful review of transactions by staff may be required in order to properly identify the correct fiscal period in which a transaction should be recognized.

Condition

The Authority provides contract management services for many metro communities for solid waste pick up. These contract management services result in significant monthly revenues (for charges to local communities) and expenses (for charges from waste haulers). The Authority was not regularly recognizing these revenues and expenses for these services during the month the services were performed, resulting in material adjustments to the Authority's financial statements being required as part of the audit procedures.

Cause

Staff were not reviewing the invoices received from waste haulers to ensure posting to the proper period. In certain months, charges billed to local communities were not recognized in the period the service was performed, but rather in the month the services were billed.

Effect

Adjusting entries were required to management's internally prepared financial statements in order to properly recognize the transactions.

Recommendation

Transactions should be recognized when the transaction occurs. Management should review the initial recording of transactions to ensure proper recognition of these transactions prior to approving the monthly financial statements.

Response

Turnover within the finance department during the year, including in the finance administrator role, led to errors in the way certain transactions were recorded on the system. Instances where invoice dates varied from dates of service led to uncertainty as to how these transactions should be recorded. Management believes that the finance department is now fully and appropriately staffed and focus will be placed on ensuring all transactions are properly recorded. In addition, certain changes relative to the way transactions are processed have been made to better prevent errors like these in the future.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

**Metro Waste Authority
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2023**

Part II—Findings Related to Required Statutory Reporting

23-II-A QUESTIONABLE EXPENSES

No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

23-II-B TRAVEL EXPENSE

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

23-II-C RESTRICTED DONOR ACTIVITY

No transactions were noted between the Authority, Authority officials, Authority employees and restricted donors, in compliance with Chapter 65B of the Code of Iowa.

23-II-D BOARD MINUTES

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

23-II-E DEPOSITS AND INVESTMENTS

No instances of 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.

23-II-F SOLID WASTE FEES RETAINAGE

No instances of noncompliance with the solid waste fees used or retained in accordance with Chapter 455B.310 of the Code of Iowa were noted.

23-II-G FINANCIAL ASSURANCE

The Authority has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government financial test mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government financial test mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance, as submitted to the Iowa Department of Natural Resources on April 1, 2023, is demonstrated as follows:

	<u>Closure/ Postclosure Care</u>
Total estimated costs for closure and postclosure care	\$27,440,370
Less: Amount Authority has restricted for closure and postclosure care (dedicated fund mechanism)	<u>20,559,663</u>
Remaining costs to be assured through the local government financial test	<u>\$ 6,880,707</u>
Financial assurance through the local government financial test	<u>\$ 6,880,707</u>