

**Metro Waste Authority  
Des Moines, Iowa**

**FINANCIAL REPORT**

**June 30, 2018**

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**Metro Waste Authority  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean O'Connor	Chair	Altoona
Mark Holm	Vice Chair	Ankeny
Wes Enos	Member	Bondurant
John Edwards	Member	Clive
Josh Mandelbaum	Member	Des Moines
Kevin Smith	Member	Elkhart
Dave Gisch	Member	Grimes
Matt Brown	Member	Johnston
Dean McGhee	Member	Mitchellville
Ed Kuhl	Member	Norwalk
Barb Malone	Member	Pleasant Hill
Rob Sarchet	Member	Polk City
Tom Hockensmith	Member	Polk County
Gerald Lane	Member	Runnells
Ron Pogge	Member	Urbandale
John Mickelson	Member	West Des Moines
Threase Harms	Member	Windsor Heights
Planning Area Members		
Carmella Jones		Alleman
Drew Merrifield		Carlisle
Caroline McNamar		Hartford
Sondra Kenney		Mingo
Chad Alleger		Prairie City
Don Towers		Sheldahl
Michael McCoy	Executive Director of Authority	
Kent Farver	Director of Finance (Through September 21,2018)	



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Metro Waste Authority  
Des Moines, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Metro Waste Authority (a joint public body) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro Waste Authority as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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, the schedule of Authority pension contributions and the notes to required supplementary information – pension liability on pages 6-9 and 33-36, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the Authority's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
December 20, 2018

# 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, 2018, 2017 and 2016. We encourage readers to consider this information with Metro Waste Authority's financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

Metro Waste Authority continues to provide for the environmentally safe disposal of solid waste for the Central Iowa area and has exceeded its budgeted income the last three years. Here are some of the financial highlights from fiscal years 2018 and 2017:

- Operating revenues increased by 4.4% for 2018 and by 4.1% for 2017. The increase for 2018 was due to increases in commercial, residential, and construction and demolition waste disposed of at our facilities. Total tonnage disposed of increased by 40,305 tons in fiscal year 2018, to a total of 785,834 tons. The increase for 2017 was due to increases in commercial, residential, and construction and demolition waste disposed of at our facilities.
- Nonoperating revenue increased in 2018 due to increases in investment income and gains on sale of capital assets. Farm income decreased from a year earlier. The decrease in nonoperating revenue for 2017 was due to a loss on the sale of capital assets and a decrease in investment income.
- The increase in capital assets for 2018 was due to the completion of the transfer trailer storage building and compost pad at Metro Park East as well as the addition of multiple pieces of heavy machinery. The decrease in capital assets for 2017 was due to no new construction projects initiated or completed during the year.
- Operating expenses for 2018 increased. The increase was due to increases in salary and fuel costs and third-party parts and labor charges. Operating expenses for 2017 remained steady compared to the previous year. Salaries and fuel costs were up during the year, while engineering and professional service costs decreased as well as leachate processing costs.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management discussion and analysis report, the independent auditor's report, and the basic financial statements of MWA. The financial statements also include notes that explain in more detail some of the information in the financial statements. Additional supplemental information is also in schedule form and begins after the notes to the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements report information about MWA using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term information about its activities. The Statement of Net Position includes all of MWA's assets and liabilities and provides information about types and amounts of investments in resources (assets) and the obligations to MWA's creditors (liabilities). It also provides the basis for evaluating MWA's liquidity, financial flexibility, and overall financial health of the agency.

All of the current year and prior year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of MWA's operations over the past two years and can be used to determine whether the organization has covered all its costs through its tipping fees and other charges.

The final required financial statements are the Statements of Cash Flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting periods.

## **ANALYSIS OF MWA FINANCIAL POSITION**

Is MWA's financial position as a whole better off or worse off as a result of this year's activities? The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the net position of Metro Waste Authority and the changes in them. MWA's net position (the difference between assets and liabilities) is one way to measure the organization's financial health or financial position. Over time, increases or decreases in MWA's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government regulations.

### **NET POSITION**

To begin our analysis, a summary of MWA's Statement of Net Position is presented in Table A-1

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

	<b>FY 17/18</b>	<b>FY 16/17</b>	<b>Change</b>	<b>% Change</b>	<b>FY 15/16</b>	<b>Change</b>	<b>% Change</b>
Current and Other Assets	\$24,788,143	\$20,187,774	\$4,600,369	22.79%	\$15,106,103	\$5,081,671	33.64%
Restricted Assets	29,095,729	26,520,527	2,575,202	9.71%	23,121,581	3,398,946	14.70%
Capital Assets	59,309,016	56,947,431	2,361,585	4.15%	61,491,583	(4,544,152)	(7.39)%
<b>Total Assets</b>	<b>113,192,888</b>	<b>103,655,732</b>	<b>9,537,156</b>	<b>9.20%</b>	<b>99,719,267</b>	<b>3,936,465</b>	<b>3.95%</b>
Deferred outflows of resources	1,389,898	1,286,998	102,900	8.00%	620,290	666,708	107.48%
Current Liabilities	7,049,713	5,201,203	1,848,510	35.54%	6,272,864	(1,071,661)	(17.08)%
Long-term Debt Outstanding	8,956,325	9,505,635	(549,310)	(5.78)%	10,492,476	(986,841)	(9.41)%
Closure and Post Closure Costs	17,148,866	14,110,639	3,038,227	21.53%	13,103,715	1,006,924	7.68%
Net Pension Liability	4,715,438	4,506,022	209,416	4.65%	3,518,216	987,806	28.08%
<b>Total Liabilities</b>	<b>37,870,342</b>	<b>33,323,499</b>	<b>4,546,843</b>	<b>13.64%</b>	<b>33,387,271</b>	<b>(63,772)</b>	<b>(0.20)%</b>
Deferred inflows of resources	169,678	118,876	50,802	42.74%	377,672	(258,796)	(68.52)%
<b>Net Position:</b>							
Invested in Capital Assets net of Related Debt	48,117,327	46,454,956	1,662,371	3.58%	49,587,087	(3,132,131)	(6.32)%
Restricted for Transfer Station closure	320,000	320,000	-	0%	320,000	-	0%
Unrestricted	28,105,439	24,725,399	3,380,040	13.67%	16,667,527	8,057,872	48.34%
<b>Total Net Position</b>	<b>\$76,542,766</b>	<b>\$71,500,355</b>	<b>\$5,042,411</b>	<b>7.05%</b>	<b>\$66,574,614</b>	<b>\$4,925,741</b>	<b>7.40%</b>

The table above shows that net position increased approximately \$ 5.0 million in 2018 and \$4.9 million in 2017. The increase in 2018 was due to increased earnings as a result of higher than anticipated tonnage for commercial, residential, and construction and demolition waste and an increase in investment income. The increase in net position for 2017 was due to increased earnings as a result of higher than anticipated tonnage, absence of large capital equipment or project expenditures, and steady operating expenses. Restricted Assets are cash and investments that have been designated by MWA's Board of Directors for closure and post closure care costs and for the purchase of capital assets. Federal and State regulations require Metro Waste Authority to complete a closure/post closure plan and to provide funding necessary for full closure and post closure, including the proper monitoring and care of the landfill after closure. Investments totaling \$17.1 and \$16.7 million in 2018 and 2017 have been restricted for this purpose. For more detailed information on the restriction of these funds, see note 7 of the financial statements.

**Table A-2**  
**Condensed Statements of Revenues,**  
**Expenses, and Changes in Net Position**

	FY 17/18	FY 16/17	Change	%	FY 15/16	Change	%
Operating Revenues	\$37,672,758	\$36,078,013	\$1,594,745	4.42%	\$34,651,660	\$1,426,353	4.12%
Investment Income (Loss)	136,672	3,634	133,038	3,660.92%	717,082	(713,448)	(99.49%)
Nonoperating Revenues	288,568	421,057	(132,489)	(31.47%)	106,078	314,979	296.93%
Total Revenues	38,097,998	36,502,704	1,595,294	4.37%	35,474,820	1,027,884	2.90%
Operating Expense	26,390,721	24,186,686	2,204,035	9.11%	21,022,499	3,164,187	15.05%
Depreciation	6,246,702	6,813,596	(566,894)	(8.32%)	5,615,943	1,197,653	21.33%
Nonoperating Expense	418,164	576,681	(158,517)	(27.49%)	493,018	83,663	16.96%
Total Expenses	33,055,587	31,576,963	1,478,624	4.68%	27,131,460	4,445,503	16.39%
Change in Net Position	5,042,411	4,925,741			8,343,360		
Beginning Net Position	71,500,355	66,574,614			58,231,254		
Ending Net Position	\$76,542,766	\$71,500,355			\$66,574,614		

While the Statement of Net Position shows the change in net position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes. Table A-2 shows operating revenues increased by \$1.6 million in 2018 and by \$1.4 million in 2017. The increase for 2018 was due to increases in commercial, residential, and construction and demolition tonnages at our facilities. Total tonnage disposed of increased by 40,305 tons in fiscal year 2018, to a total of 785,834 tons. Operating revenues increased in 2017 due to increases in the amount of commercial, residential, and construction and demolition waste disposed of at our facilities. Total tonnage disposed of increased by 23,760 tons in fiscal year 2017 to a total of 756,879 tons. Nonoperating revenues increased in 2018 due to increases in investment income and the gain on the sale of capital assets. Nonoperating revenues increased in 2017 due to increases in farm income and other revenues during the year.



## **CAPITAL ASSETS**

**Table A-3  
Capital Assets**

	<b>FY 17/18</b>	<b>FY 16/17</b>	<b>Change</b>	<b>% Change</b>	<b>FY 15/16</b>	<b>Change</b>	<b>% Change</b>
Land & Land Improvements	\$22,669,889	\$22,667,209	\$ 2,680	0.01%	\$22,682,571	\$(15,362)	(0.07%)
Buildings & Building Improvements	38,695,975	34,956,494	3,739,481	10.70%	34,496,701	459,793	1.33%
Landfill Cell Development	23,843,245	23,843,245	-	0.00%	23,843,245	-	0.00%
Wetlands Treatment Facility	4,408,832	4,408,832	-	0.00%	4,408,832	-	0.00%
Equipment	35,103,172	33,520,687	1,582,485	4.72%	33,867,740	(347,053)	(1.02%)
Work in Process	3,267,583	644,410	2,623,173	407.07%	792,561	(148,151)	(18.69%)
Sub-total	127,988,696	120,040,877	7,947,819	6.62%	120,091,650	(50,773)	(0.04%)
Less: Accumulated depreciation	68,679,680	63,093,446	5,586,234	8.85%	58,600,067	4,493,379	7.67%
Net Capital Assets	\$59,309,016	\$56,947,431	\$2,361,585	4.15%	\$61,491,583	\$(4,544,152)	(7.39%)

The increase in capital assets in 2018 was due to the completion of the transfer trailer building and compost pad at Metro Park East as well as the purchase of multiple pieces of heavy equipment. The decrease in capital assets in 2017 was due to the absence of any large capital projects initiated during the year.

## **DEBT ADMINISTRATION**

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

On October 1, 2012, Metro Waste Authority entered into a loan agreement with a bank for \$4.4 million with an interest rate of 1.94%. Interest and principal is due quarterly each year through October 1, 2017. The proceeds from this loan were to build a Coal Combustion and Humidification Silo, refinance the Solid Waste Disposal Note, Series 2009, and build the MHWD addition and improvement. This note was paid off in 2018.

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

For more information on MWA's long-term debt, see note 5 of the financial statements.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present users with a general overview of Metro Waste Authority's finances and to demonstrate the Authority's accountability for the funds generated. If you have questions about the report or need additional financial information, please contact the Finance Department, Metro Waste Authority, 300 East Locust Street, Suite 100, Des Moines, IA 50309-1864.

**Metro Waste Authority  
STATEMENTS OF NET POSITION**

	<b>June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,284,844	\$ 1,957,668
Investments	18,035,739	14,973,480
Disposal fees receivable, less allowance for uncollectible accounts 2018 and 2017 \$100,000	2,756,697	2,612,970
Prepaid expenses, accrued interest and other assets	500,685	479,644
Inventories	<u>210,178</u>	<u>164,012</u>
Total current assets	<u>24,788,143</u>	<u>20,187,774</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Cash and cash equivalents	-	463,025
Investments	<u>29,095,729</u>	<u>26,057,502</u>
Total assets whose use is limited	<u>29,095,729</u>	<u>26,520,527</u>
<b>CAPITAL ASSETS</b>		
Land and building—Metro Park East	48,592,870	44,864,889
Land and building—Metro Park West	8,728,253	8,728,253
Land—Metro Northwest Transfer Station	1,899,162	1,899,162
Building and improvements—Metro Northwest Transfer Station	13,369,163	13,366,483
Land and building—Transfer Station	4,249,764	4,249,764
Leasehold improvements—Metro Compost Center	1,507,780	1,507,780
Land and building—Regional Collection Center	3,189,703	3,189,703
Land and building—300 East Locust	8,081,246	8,069,746
Automobiles, trucks and other equipment	35,103,172	33,520,687
Construction in progress	<u>3,267,583</u>	<u>644,410</u>
	127,988,696	120,040,877
Less accumulated depreciation and amortization	<u>68,679,680</u>	<u>63,093,446</u>
Total capital assets	<u>59,309,016</u>	<u>56,947,431</u>
<b>Total assets</b>	<u>113,192,888</u>	<u>103,655,732</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	<u>1,389,898</u>	<u>1,286,998</u>

See Notes to Financial Statements.

	<b>June 30</b>	
	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 549,310	\$ 986,840
Construction contracts payable	1,686,054	15,523
Trade accounts payable	2,346,769	1,718,744
Disposal fee rebates payable	252,033	234,525
Landfill tax payable	372,461	375,167
Accrued payroll and employee benefits	1,534,339	1,569,831
Other accrued expenses	<u>308,747</u>	<u>300,573</u>
Total current liabilities	<u>7,049,713</u>	<u>5,201,203</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	8,956,325	9,505,635
Accrued landfill closure and postclosure care costs	17,148,866	14,110,639
Net pension liability	<u>4,715,438</u>	<u>4,506,022</u>
Total long-term liabilities	<u>30,820,629</u>	<u>28,122,296</u>
<b>Total liabilities</b>	<u>37,870,342</u>	<u>33,323,499</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows	<u>169,678</u>	<u>118,876</u>
<b>NET POSITION</b>		
Net investment in capital assets	48,117,327	46,454,956
Unrestricted	28,105,439	24,725,399
Restricted for transfer station closure	<u>320,000</u>	<u>320,000</u>
Total net position	<u>\$ 76,542,766</u>	<u>\$ 71,500,355</u>

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

	<u>Year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Landfill, transfer, compost, RCC, curbside recycling, and rental	\$37,672,758	\$36,078,013
<b>OPERATING EXPENSES</b>		
Operating expenses (excluding depreciation and amortization)	23,165,492	22,694,201
Provision for landfill closure and postclosure care costs	<u>3,225,229</u>	<u>1,492,485</u>
Operating income before depreciation and amortization	<u>11,282,037</u>	<u>11,891,327</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Depreciation	5,164,811	4,909,781
Amortization	<u>1,081,891</u>	<u>1,903,815</u>
	<u>6,246,702</u>	<u>6,813,596</u>
Operating income	<u>5,035,335</u>	<u>5,077,731</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Farm income, net related expenses	91,946	213,447
Investment income	136,672	3,634
Gain (loss) on sale of capital assets	126,099	(123,018)
Interest expense	(418,164)	(453,663)
Other	<u>70,523</u>	<u>207,610</u>
Total nonoperating revenues (expenses)	<u>7,076</u>	<u>(151,990)</u>
Change in net position	5,042,411	4,925,741
<b>NET POSITION, beginning of year</b>	<u>71,500,355</u>	<u>66,574,614</u>
<b>NET POSITION, end of year</b>	<u>\$76,542,766</u>	<u>\$71,500,355</u>

**Metro Waste Authority  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$37,529,031	\$35,609,663
Cash paid to suppliers for goods and services	(16,369,729)	(16,748,331)
Cash paid to employees for services	(5,449,821)	(5,392,299)
Cash paid for host fees	(409,069)	(391,629)
Community clean up grants paid	(8,109)	(32,745)
Net cash provided by operating activities	<u>15,292,303</u>	<u>13,044,659</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(986,840)	(1,412,021)
Interest paid on notes payable	(422,822)	(460,391)
Purchase of capital assets	(7,017,989)	(2,922,052)
Cash received on sale of capital assets	23,798	-
Payments for landfill cell closure	(187,002)	(485,561)
Net cash (used in) capital and related financing activities	<u>(8,590,855)</u>	<u>(5,280,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(6,000,000)	(14,000,000)
Interest received	234	1,572
Net cash received from farming and other activities	162,469	421,057
Net cash (used in) investing activities	<u>(5,837,297)</u>	<u>(13,577,371)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	864,151	(5,812,737)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>2,420,693</u>	<u>8,233,430</u>
Ending	<u>\$ 3,284,844</u>	<u>\$ 2,420,693</u>

See Notes to Financial Statements.

**Metro Waste Authority**  
**STATEMENTS OF CASH FLOWS (continued)**

	<b>Year ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 5,035,335	\$ 5,077,731
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	6,246,702	6,813,596
Provision for closure and postclosure care costs	3,225,229	1,492,485
Changes in assets and liabilities		
Disposal fees receivable	(143,727)	(468,350)
Prepaid expenses and other assets, net of investing activities	14,911	169,536
Inventories	(46,166)	7,522
Deferred outflows	(102,900)	(666,708)
Payables, net of amounts for capital assets	825,361	(109,237)
Accrued payroll and employee benefits	(22,660)	(926)
Net pension liability	209,416	987,806
Deferred inflows	<u>50,802</u>	<u>(258,796)</u>
Net cash provided by operating activities	<u>\$15,292,303</u>	<u>\$13,044,659</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>		
Per statement of net position		
Current assets, cash and cash equivalents	\$ 3,284,844	\$ 1,957,668
Assets whose use is limited, cash and cash equivalents	<u>—</u>	<u>463,025</u>
Total per statement of cash flows	<u>\$ 3,284,844</u>	<u>\$ 2,420,693</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.

**Accounting Standards**

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

**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.

**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.

**Disposal Fee Rebates Payable**

The Authority has entered into waste delivery contracts with certain haulers which provide that eligible haulers will be rebated specified rates per ton for waste delivered directly to the landfill, after delivering a specified minimum volume in a year. Disposal fee rebates payable represent amounts due to eligible haulers under these contracts.

**Compensated Absences**

Authority employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The cost of vacation and sick leave accumulations are recorded as liabilities and expenses. The compensated absences liability, included in accrued payroll and employee benefits, has been computed based on rates of pay in effect at June 30, 2018 and 2017, respectively.

**Landfill Closure and Postclosure Care Costs**

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 7).



**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments and Investment Income**

The Authority's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts	
Nonnegotiable certificates of deposit	Cost
Debt securities	
U.S. Government Agency securities	
Maturity of one year or less when purchased	Amortized cost
Maturity of more than one year when purchased	Fair value based on quoted market prices

The nonnegotiable certificates of deposit and U.S. Treasury and U.S. Government Agency securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income 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.

**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.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Unrestricted**

Unrestricted net position has no externally imposed restrictions on use.

**Accounting Estimates and Assumptions**

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

**Reclassifications**

Certain amounts have been reclassified in the 2017 financial statements in order to conform with 2018 presentation with no effect on the change in net position.

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2018 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.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND INVESTMENTS (continued)**

<u>Security Description</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>More Than 5</u>
Money market funds	\$ 6,862,376	\$ 6,862,376	\$ –	\$ –
Federal Farm Credit Bank	8,815,425	497,665	8,317,760	–
Federal Home Loan Mortgage Corporation	9,582,590	–	9,582,590	–
Federal Home Loan Banks	13,601,164	2,993,880	10,607,284	–
Federal National Mortgage Association	5,539,300	–	5,476,784	62,516
Certificates of deposit	<u>2,730,613</u>	<u>1,038,517</u>	<u>1,692,096</u>	<u>–</u>
	<u>\$47,131,468</u>	<u>\$11,392,438</u>	<u>\$35,676,514</u>	<u>\$ 62,516</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 the quoted prices in active markets. (Level 1 inputs).

*Credit Risk.* The Authority's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2018, 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.

**NOTE 3 ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited at June 30, 2018 and 2017 were limited for the following purposes:

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Legally restricted assets whose use is limited		
For closure and postclosure care costs	\$17,148,866	\$16,709,435
For transfer station closure	320,000	320,000
Under escrow agreement	<u>372,461</u>	<u>375,167</u>
Total - legally restricted	<u>17,841,327</u>	<u>17,404,602</u>
Board designated assets whose use is limited		
For capital projects	10,654,402	8,052,900
For environmental contingencies	600,000	600,000
For debt repayment	–	<u>463,025</u>
Total - board designated	<u>11,254,402</u>	<u>9,115,925</u>
Total assets whose use is limited	<u>\$29,095,729</u>	<u>\$26,520,527</u>

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

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 CAPITAL ASSETS**

During the year ended June 30, 2018, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Metro Park East					
Land	\$ 8,324,595	\$ -	\$ -	\$ -	\$ 8,324,595
Building	9,183,780	253,112	-	3,474,869	12,911,761
Landfill improvements	2,476,970	-	-	-	2,476,970
Landfill cell development	20,470,712	-	-	-	20,470,712
Wetlands treatment facility	4,408,832	-	-	-	4,408,832
	<u>44,864,889</u>	<u>253,112</u>	<u>-</u>	<u>3,474,869</u>	<u>48,592,870</u>
Metro Park West					
Land	4,651,249	-	-	-	4,651,249
Land improvements	440,357	-	-	-	440,357
Building	264,114	-	-	-	264,114
Landfill cell development	3,372,533	-	-	-	3,372,533
	<u>8,728,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,728,253</u>
Metro Northwest Transfer Station					
Land	1,899,162	-	-	-	1,899,162
Building	9,440,979	-	-	-	9,440,979
Land improvements	3,925,504	2,680	-	-	3,928,184
	<u>15,265,645</u>	<u>2,680</u>	<u>-</u>	<u>-</u>	<u>15,268,325</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	193,255	-	-	-	193,255
Building	3,967,288	-	-	-	3,967,288
	<u>4,249,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,249,764</u>
Metro Compost Center					
Leasehold improvements	1,507,780	-	-	-	1,507,780
Regional Collection Center					
Land	168,896	-	-	-	168,896
Building	3,020,807	-	-	-	3,020,807
	<u>3,189,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,189,703</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,571,746	11,500	-	-	7,583,246
	<u>8,069,746</u>	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>8,081,246</u>
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	1,207,635	65,090	-	17,883	1,290,608
Disposal	20,124,850	1,228,639	(425,663)	-	20,927,826
Transfer Station	4,316,315	379,658	(147,741)	-	4,548,232
Regional Collection Center	513,183	90,163	-	-	603,346
Recycling	4,340,561	44,325	-	-	4,384,886
Compost Facility	2,045,742	329,193	(67,525)	-	2,307,410
Metro Northwest Transfer Station	972,401	68,463	-	-	1,040,864
	<u>33,520,687</u>	<u>2,205,531</u>	<u>(640,929)</u>	<u>17,883</u>	<u>35,103,172</u>
Construction in progress	644,410	6,115,925	-	(3,492,752)	3,267,583
Totals	120,040,877	8,588,748	(640,929)	-	127,988,696
Less accumulated depreciation and amortization	(63,093,446)	(6,246,702)	660,468	-	(68,679,680)
Net capital assets	\$ 56,947,431	\$ 2,342,046	\$ 19,539	\$ -	\$ 59,309,016

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 CAPITAL ASSETS (continued)**

During the year ended June 30, 2017, capital asset additions and disposals by type were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Metro Park East					
Land	\$ 8,324,595	\$ -	\$ -	\$ -	\$ 8,324,595
Building	9,183,780	-	-	-	9,183,780
Landfill improvements	2,476,970	-	-	-	2,476,970
Landfill cell development	20,470,712	-	-	-	20,470,712
Wetlands treatment facility	4,408,832	-	-	-	4,408,832
	<u>44,864,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,864,889</u>
Metro Park West					
Land	4,651,249	-	-	-	4,651,249
Land improvements	440,357	-	-	-	440,357
Building	241,215	22,899	-	-	264,114
Landfill cell development	3,372,533	-	-	-	3,372,533
	<u>8,705,354</u>	<u>22,899</u>	<u>-</u>	<u>-</u>	<u>8,728,253</u>
Metro Northwest Transfer Station					
Land	1,924,061	-	(24,899)	-	1,899,162
Building	9,100,470	-	-	340,509	9,440,979
Land improvements	3,915,967	9,537	-	-	3,925,504
	<u>14,940,498</u>	<u>9,537</u>	<u>(24,899)</u>	<u>340,509</u>	<u>15,265,645</u>
Transfer Station					
Land	89,221	-	-	-	89,221
Land improvements	193,255	-	-	-	193,255
Building	3,967,288	-	-	-	3,967,288
	<u>4,249,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,249,764</u>
Metro Compost Center					
Leasehold improvements	1,507,780	-	-	-	1,507,780
Regional Collection Center					
Land	168,896	-	-	-	168,896
Building	2,924,422	96,385	-	-	3,020,807
	<u>3,093,318</u>	<u>96,385</u>	<u>-</u>	<u>-</u>	<u>3,189,703</u>
300 East Locust					
Land	498,000	-	-	-	498,000
Building	7,571,746	-	-	-	7,571,746
	<u>8,069,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,069,746</u>
Automobiles, trucks and other equipment					
Office equipment - Central Office and Landfills	1,180,794	26,841	-	-	1,207,635
Disposal	21,233,227	1,052,344	(2,160,721)	-	20,124,850
Transfer Station	3,676,354	689,991	(336,232)	286,202	4,316,315
Regional Collection Center	458,242	54,941	-	-	513,183
Recycling	4,340,561	-	-	-	4,340,561
Compost Facility	2,045,742	-	-	-	2,045,742
Metro Northwest Transfer Station	932,820	39,581	-	-	972,401
	<u>33,867,740</u>	<u>1,863,698</u>	<u>(2,496,953)</u>	<u>286,202</u>	<u>33,520,687</u>
Construction in progress	792,561	478,560	-	(626,711)	644,410
Totals	120,091,650	2,471,079	(2,521,852)	-	120,040,877
Less accumulated depreciation and amortization	<u>(58,600,067)</u>	<u>(6,813,596)</u>	<u>2,320,217</u>	<u>-</u>	<u>(63,093,446)</u>
Net capital assets	<u>\$ 61,491,583</u>	<u>\$ (4,342,517)</u>	<u>\$ (201,635)</u>	<u>\$ -</u>	<u>\$ 56,947,431</u>

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 CAPITAL ASSETS (continued)**

Land with a carrying value of approximately \$9,440,000 was not used in the landfill operations as of June 30, 2018 and 2017. Of this amount, approximately \$8,207,000 was leased or farmed as farmland as of June 30, 2018 and 2017.

The Authority has entered into various construction contracts totaling approximately \$9,150,000. The unpaid contract balances as of June 30, 2018 totaled approximately \$7,350,000 which will be paid from cash and investment reserves and other sources.

**NOTE 5 NOTES PAYABLE**

Notes payable at June 30, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Solid Waste note payable	\$ —	\$ 459,405
Taxable Revenue Note, Series 2014	8,603,136	8,968,059
Note payable	<u>902,499</u>	<u>1,065,011</u>
	9,505,635	10,492,475
Less current portion	<u>549,310</u>	<u>986,840</u>
Long-term debt	<u>\$8,956,325</u>	<u>\$ 9,505,635</u>

**Solid Waste Note Payable**

The Authority entered into a loan agreement with a bank on October 1, 2012 for the purposes of building the Coal Combustion and Residue Silo and Humidification at Metro Park East and refinancing the Solid Waste Disposal Revenue Note, Series 2009. The note was payable in quarterly principal payments due on January 1, April 1, June 1 and October 1 each year through October 1, 2017. Interest was also payable quarterly on January 1, April 1, June 1 and October 1 at 1.94%. The note was secured by future net revenues of the Authority. For the current year, \$1,118 in interest was expensed on the note. This note was paid off during the year ended June 30, 2018.

**Taxable Revenue Note, Series 2014**

A Taxable Revenue Note, Series 2014 was issued to a bank on June 25, 2014, for the purpose of building the Grimes Solid Waste Transfer Station. The note requires monthly principal and interest payments which commenced on July 1, 2014 of \$62,243 through June 1, 2024, when all unpaid principal and interest are due. The note has a fixed interest rate of 4.28%. The note is secured by future net revenues of the Authority. The agreement contains certain covenants. The Authority was in compliance with all covenants at June 30, 2018. For the current year, \$380,686 in interest was expensed on the note.

**Note payable**

The Authority purchased the North Dallas Landfill in April 2009. The note is payable in annual installments of \$200,000 from April 2014 through 2023. Installment payments include principal and interest at 3.52%. For the current year, \$36,360 in interest was expensed on the note.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 NOTES PAYABLE (continued)**

Principal and interest maturities of the notes payable at June 30, 2018 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 549,310	\$ 397,602	\$ 946,912
2020	571,145	375,767	946,912
2021	595,806	351,106	946,912
2022	620,546	326,366	946,912
2023	646,323	300,589	946,912
2024	<u>6,522,505</u>	<u>274,474</u>	<u>6,796,979</u>
Totals	<u>\$9,505,635</u>	<u>\$2,025,904</u>	<u>\$11,531,539</u>

A summary of changes in notes payable for the year ended June 30, 2018 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Solid Waste note payable	\$ 459,405	\$ -	\$ 459,405	\$ -	\$ -
Taxable Revenue Note, Series 2014	8,968,059	-	364,923	8,603,136	381,078
Note payable	<u>1,065,011</u>	<u>-</u>	<u>162,512</u>	<u>902,499</u>	<u>168,232</u>
Totals	<u>\$10,492,475</u>	<u>\$ -</u>	<u>\$ 986,840</u>	<u>\$9,505,635</u>	<u>\$ 549,310</u>

A summary of changes in notes payable for the year ended June 30, 2017 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Solid Waste note payable	\$ 1,364,987	\$ -	\$ 905,582	\$ 459,405	\$ 459,406
Taxable Revenue Note, Series 2014	9,317,513	-	349,454	8,968,059	364,922
Note payable	<u>1,221,996</u>	<u>-</u>	<u>156,985</u>	<u>1,065,011</u>	<u>162,512</u>
Totals	<u>\$11,904,496</u>	<u>\$ -</u>	<u>\$1,412,021</u>	<u>\$10,492,475</u>	<u>\$ 986,840</u>

**NOTE 6 OPERATING LEASES**

The Authority leases office space in the 300 East Locust building to various tenants under operating leases. At June 30, 2018, approximate future minimum lease payments receivable from noncancelable operating leases are as follows:

<u>Year ending June 30</u>	
2019	\$ 512,646
2020	423,799
2021	213,731
2022	<u>35,525</u>
	<u>\$1,185,701</u>

In addition, the Authority has entered into an agreement with the City of Des Moines to lease and operate the City's yard waste processing site. The lease, which extends through March 31, 2020, can be cancelled by either party by giving 60 days notice. Annual rent payments are \$40,000.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 CLOSURE AND POSTCLOSURE CARE COSTS**

To comply with federal and state regulations, the Authority is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

The Authority is required to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The Authority's estimated closure and postclosure care liabilities are as follows as of June 30, 2018 and 2017:

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Postclosure care	\$ 8,306,699	\$ 6,798,328
Landfill closure	<u>8,842,167</u>	<u>7,312,311</u>
Totals	<u>\$17,148,866</u>	<u>\$14,110,639</u>

The provision for landfill closure and postclosure care costs recognized for the years ended June 30, 2018 and 2017 is as follows:

	<u>Year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
Provision for postclosure care	\$1,695,373	\$ 915,497
Provision for landfill closure	<u>1,529,856</u>	<u>576,988</u>
Totals	<u>\$3,225,229</u>	<u>\$1,492,485</u>

The total closure and postclosure care costs for Metro Waste Authority have been estimated at approximately \$20,333,000 as of June 30, 2018, and the portion of the liability that has been recognized is \$17,148,866. This liability represents the cumulative amount reported to date based on the use of approximately 86 percent of the capacity of the landfill less payments for cell closure, with a remaining life of approximately 1.47 years. A provision for the above liability has been made on the Authority's statement of net position as of June 30, 2018 and 2017. The Authority has accumulated resources to fund these costs. They are included in assets whose use is limited on the statement of net position and total \$17,148,866 as of June 30, 2018.



**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 TRANSFER STATION CLOSURE CARE**

To comply with state regulations, the Authority is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Authority is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Authority as of June 30, 2018 have been estimated at \$320,000. The balance has been restricted and is fully funded at June 30, 2018.

**NOTE 9 SOLID WASTE TONNAGE FEES RETAINED**

The Authority has established an account for restricting and using solid waste tonnage fees retained by the Authority in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2018 and 2017, there were no unspent amounts retained by the Authority.

**NOTE 10 PENSION PLAN**

**Plan Description**

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

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

**Pension Benefits**

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

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

**Metro Waste Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

**Pension Benefits (continued)**

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. 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 2018 and 2017, pursuant to the required rate, regular members contributed 5.95% of pay and the Authority contributed 8.93% for a total rate of 14.88%.

The Authority's contributions to IPERS for the years ended June 30, 2018 and 2017 were \$479,598 and \$473,297, respectively.

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

At June 30, 2018 and 2017, the Authority reported a liability of \$4,715,438 and \$4,506,022, respectively, for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2017 and 2016, 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:

	<b>Measurement Date</b>		
	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Authority's proportionate share	<u>0.070789%</u>	<u>0.071600%</u>	<u>(0.000811%)</u>

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

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

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$637,660 and \$533,903, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Pension Related Deferred</b>			
	<b>Outflows of Resources</b>		<b>Inflows of Resources</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Difference between expected and actual experience	\$ 43,292	\$ 39,824	\$ 40,856	\$ 53,778
Change in assumptions	819,326	68,748	-	-
Net difference between projected and actual earnings on pension plan investments	-	641,966	49,251	-
Change in proportion and difference between Authority contributions and proportionate share of contributions	47,682	63,163	79,571	65,098
Authority contributions subsequent to the measurement date	<u>479,598</u>	<u>473,297</u>	<u>-</u>	<u>-</u>
Totals	<u>\$1,389,898</u>	<u>\$1,286,998</u>	<u>\$ 169,678</u>	<u>\$ 118,876</u>

\$479,598 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,**

2019	\$ 101,898
2020	349,451
2021	215,186
2022	20,757
2023	<u>53,330</u>
Totals	<u>\$ 740,622</u>

There were no non-employer contributing entities at IPERS.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 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, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	27%	2.25%
Domestic Equity	24	6.25
International Equity	16	6.71
Private Equity	11	11.15
Private Real Assets	7	4.18
Public Real Assets	7	3.27
Public Credit	4	3.46
Private Credit	3	4.25
Cash	<u>1</u>	(0.31)
Total	<u>100%</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 of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Metro Waste Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 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 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	<b>1% Decrease (6.0%)</b>	<b>Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Authority's proportionate share of the net pension liability	<u>\$7,769,131</u>	<u>\$4,715,438</u>	<u>\$2,149,733</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan**

At June 30, 2018 and 2017, the Authority reported payables to the defined benefit pension plan of \$54,000, for legally required employer contributions and \$36,000, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS for both of the years.

**NOTE 11 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 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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.

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 RISK MANAGEMENT (continued)**

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, 2018 and 2017 were \$223,542 and \$231,520, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$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, 2018, no liability has been recorded in the Authority's financial statements. As of June 30, 2018, 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 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

The Authority has implemented Governmental Accounting Standards Board, GASB, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition to the pension benefits described in Note 10, the Authority provides postemployment healthcare benefits to eligible employees who retire from the Authority. There are 57 employees participating in the Authority's health insurance plan as of June 30, 2018. For early retirees between 62-65 years old, the Authority pays the insurance premiums based on the rate of coverage at the time of the retirement for the service months they had earned as of 2001. Payments under these benefits totaled \$4,254 for 2018 and \$15,952 for 2017.

**NOTE 13 CONTINGENCIES**

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

**Metro Waste Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 CONCENTRATION OF CREDIT RISK**

At June 30, 2018, receivables from four customers totaled approximately \$1,007,000, or 37% of total net receivables.

**REQUIRED SUPPLEMENTARY INFORMATION**



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

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

\*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.

See accompanying notes to required supplementary information - pension liability.

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

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

See accompanying notes to required supplementary information - pension liability.

**Year ended June 30**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 434	\$ 404	\$ 363	\$ 295	\$ 266	\$ 232
<u>434</u>	<u>404</u>	<u>363</u>	<u>295</u>	<u>266</u>	<u>232</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$4,884	\$4,635	\$4,497	\$4,250	\$4,028	\$3,703
8.9%	8.7%	8.1%	6.9%	6.6%	6.3%

**Metro Waste Authority**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2018**

**CHANGES OF BENEFIT TERMS**

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

**CHANGES OF ASSUMPTIONS**

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- 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.

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

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



## 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, 2018 and 2017, and our report thereon dated December 20, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 4 and 5. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. We previously audited the years ended June 30, 2008 through 2016, and expressed unmodified opinions on those financial statements.

*Denman & Company, LLP*  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
December 20, 2018

**Metro Waste Authority**  
**COMBINING STATEMENT OF REVENUES AND EXPENSES, BY DEPARTMENT**  
**Year ended June 30, 2018**

	<u>Combined</u>	<u>Metro Park East Landfill</u>
<b>REVENUES</b>		
Tipping fees, service fees and rental revenue	\$ <u>37,672,758</u>	\$ <u>15,135,872</u>
<b>EXPENSES</b>		
Operating expenses (excluding depreciation and amortization)	23,165,492	6,802,723
Provision for landfill closure and postclosure care costs	<u>3,225,229</u>	<u>2,869,809</u>
Total operating expenses	<u>26,390,721</u>	<u>9,672,532</u>
Operating income (loss) before depreciation and amortization	<u>11,282,037</u>	<u>5,463,340</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Depreciation	5,164,811	2,221,058
Amortization	<u>1,081,891</u>	<u>1,081,891</u>
	<u>6,246,702</u>	<u>3,302,949</u>
Operating income (loss)	<u>5,035,335</u>	<u>2,160,391</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Farm income, net of related expenses	91,946	89,282
Investment income	136,672	-
Interest expense	(418,164)	(623)
Gain on sale of capital assets	126,099	-
Other	<u>70,523</u>	<u>51,898</u>
Total nonoperating revenues (expenses)	<u>7,076</u>	<u>140,557</u>
Increase (decrease) in net position	<u>\$ 5,042,411</u>	<u>\$ 2,300,948</u>

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

<u>Metro Park West Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration *</u>
\$1,296,844	\$10,364,320	\$2,743,128	\$ 692,301	\$3,491,241	\$ 682,484	\$3,266,568
691,729	2,614,924	2,445,655	928,197	3,654,099	526,180	5,501,985
355,420	-	-	-	-	-	-
<u>1,047,149</u>	<u>2,614,924</u>	<u>2,445,655</u>	<u>928,197</u>	<u>3,654,099</u>	<u>526,180</u>	<u>5,501,985</u>
<u>249,695</u>	<u>7,749,396</u>	<u>297,473</u>	<u>(235,896)</u>	<u>(162,858)</u>	<u>156,304</u>	<u>(2,235,417)</u>
327,984	1,574,888	158,377	172,464	441,601	194,503	73,936
-	-	-	-	-	-	-
<u>327,984</u>	<u>1,574,888</u>	<u>158,377</u>	<u>172,464</u>	<u>441,601</u>	<u>194,503</u>	<u>73,936</u>
<u>(78,289)</u>	<u>6,174,508</u>	<u>139,096</u>	<u>(408,360)</u>	<u>(604,459)</u>	<u>(38,199)</u>	<u>(2,309,353)</u>
2,664	-	-	-	-	-	-
-	-	-	-	-	-	136,672
(36,360)	(380,687)	-	(494)	-	-	-
-	-	-	-	-	-	126,099
450	-	-	108	-	-	18,067
<u>(33,246)</u>	<u>(380,687)</u>	<u>-</u>	<u>(386)</u>	<u>-</u>	<u>-</u>	<u>280,838</u>
\$ <u>(111,535)</u>	\$ <u>5,793,821</u>	\$ <u>139,096</u>	\$ <u>(408,746)</u>	\$ <u>(604,459)</u>	\$ <u>(38,199)</u>	\$ <u>(2,028,515)</u>

**Metro Waste Authority**  
**COMBINING SUMMARY OF OPERATING EXPENSES, EXCLUDING**  
**DEPRECIATION AND AMORTIZATION, BY DEPARTMENT**  
**Year ended June 30, 2018**

	<u>Combined</u>	<u>Metro Park East Landfill</u>
Salaries	\$ 5,427,161	\$2,210,369
Payroll taxes	418,268	170,145
Benefits	1,609,812	653,381
Site maintenance	892,524	480,499
Recycling programs	6,501,170	—
Vehicle repairs and maintenance	1,255,367	638,477
Vehicle fuel	1,044,978	925,234
Computer maintenance	181,386	46,187
Minor equipment	76,541	57,298
Professional services	496,032	4,036
Engineering services	291,164	225,221
Graphics design/contract printing	23,862	5,343
Contract disposal	515,784	289,302
Property taxes and host fees	415,342	137,092
Telephone and utilities	358,530	122,366
Building and office supplies	330,169	121,832
Advertising	296,013	34,277
Travel	62,787	15,216
Postage	13,554	1,294
Credit card discount	266,817	266,817
Miscellaneous	95,682	9,301
Insurance	238,000	82,122
Leachate processing	374,057	304,284
Investment expense	—	—
Machinery and equipment rental	4,722	2,630
Office and facilities rent	212,800	—
Yard waste collection and bags	1,754,305	—
Community cleanup grants	8,109	—
Environmental Management System	556	—
Total operating expenses, excluding depreciation and amortization	<u>\$23,165,492</u>	<u>\$6,802,723</u>

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



<u>Metro Park West Landfill</u>	<u>Metro Transfer Station</u>	<u>Metro Compost Center</u>	<u>Regional Collection Center</u>	<u>Recycling</u>	<u>Rental- 300 East Locust</u>	<u>Administration *</u>
\$ 299,187	\$1,225,852	\$ 305,617	\$ 384,847	\$ 123,519	\$ -	\$ 877,770
22,104	97,102	23,003	30,775	10,232	-	64,907
81,367	332,783	89,343	141,689	43,887	-	267,362
32,096	137,376	9,042	32,590	17,992	182,929	-
-	-	-	-	3,253,141	-	3,248,029
52,787	477,600	68,198	9,505	8,800	-	-
32,101	59,346	19,398	6,970	-	-	1,929
663	7,606	2,141	802	-	-	123,987
3,660	6,098	248	3,327	3,985	-	1,925
-	-	-	-	14,246	-	477,750
42,186	8,900	5,900	8,957	-	-	-
97	-	8,390	83	6,139	-	3,810
-	-	-	141,825	83,915	742	-
-	53,150	-	15,228	-	209,872	-
19,358	67,316	3,804	39,636	-	60,193	45,857
14,982	72,216	2,674	44,843	4,585	42,749	26,288
1,679	3,827	92,179	37,862	65,665	-	60,524
1,789	-	-	1,544	2,749	-	41,489
100	-	-	100	1,814	-	10,246
-	-	-	-	-	-	-
293	28,625	3,439	1,992	2,046	593	49,393
16,945	36,417	17,474	25,302	11,384	29,102	19,254
69,773	-	-	-	-	-	-
-	-	-	-	-	-	-
562	710	500	320	-	-	-
-	-	40,000	-	-	-	172,800
-	-	1,754,305	-	-	-	-
-	-	-	-	-	-	8,109
-	-	-	-	-	-	556
<u>\$ 691,729</u>	<u>\$2,614,924</u>	<u>\$2,445,655</u>	<u>\$ 928,197</u>	<u>\$3,654,099</u>	<u>\$ 526,180</u>	<u>\$5,501,985</u>

**Metro Waste Authority**  
**SUMMARY OF HISTORICAL OPERATING INFORMATION**

	<u>2018</u>	<u>2017</u>	<u>2016*</u>	<u>Year ended 2015</u>
<b>REVENUES</b>	\$37,672,758	\$36,078,013	\$34,651,660	\$33,097,552
<b>EXPENSES</b>				
Operating expenses (excluding depreciation and amortization)	23,165,492	22,694,201	22,663,100	20,991,551
Provision for landfill closure and postclosure care costs	<u>3,225,229</u>	<u>1,492,485</u>	<u>(1,640,601)</u>	<u>1,300,385</u>
Operating income before depreciation and amortization	<u>11,282,037</u>	<u>11,891,327</u>	<u>13,629,161</u>	<u>10,805,616</u>
<b>DEPRECIATION AND AMORTIZATION</b>				
Depreciation	5,164,811	4,909,781	4,231,989	4,176,241
Amortization	<u>1,081,891</u>	<u>1,903,815</u>	<u>1,383,954</u>	<u>1,326,790</u>
	<u>6,246,702</u>	<u>6,813,596</u>	<u>5,615,943</u>	<u>5,503,031</u>
Operating income	<u>5,035,335</u>	<u>5,077,731</u>	<u>8,013,218</u>	<u>5,302,585</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Farm income (loss), net of related expenses	91,946	213,447	101,745	68,180
Investment income (loss)	136,672	3,634	717,082	565,037
Gain (loss) on sale of capital assets	126,099	(123,018)	-	267,062
Interest expense	(418,164)	(453,663)	(493,018)	(534,252)
Other	<u>70,523</u>	<u>207,610</u>	<u>4,333</u>	<u>9,856</u>
Total nonoperating revenues (expenses)	<u>7,076</u>	<u>(151,990)</u>	<u>330,142</u>	<u>375,883</u>
Increase in net position	<u>\$ 5,042,411</u>	<u>\$ 4,925,741</u>	<u>\$ 8,343,360</u>	<u>\$ 5,678,468</u>
Percent increase (decrease) from prior period				
Revenues	4.42%	4.12%	4.69%	8.08%
Operating expenses excluding depreciation and amortization	2.08%	0.14%	7.96%	(0.37)%
Provision for depreciation and amortization	(8.32)%	21.33%	2.05%	(4.13)%
Tonnage delivered to landfill (unaudited)	750,706	710,050	685,898	673,870
Compost tonnage (unaudited)	35,128	35,479	47,221	48,747

\* 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.

**June 30**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$30,622,815	\$26,865,810	\$26,118,067	\$24,709,213	\$22,476,221	\$22,334,440	\$21,416,712
21,069,975	19,084,041	17,871,941	16,227,319	15,489,209	15,715,024	13,899,799
<u>1,548,092</u>	<u>1,543,947</u>	<u>1,351,195</u>	<u>1,768,088</u>	<u>1,407,606</u>	<u>1,266,388</u>	<u>998,862</u>
<u>8,004,748</u>	<u>6,237,822</u>	<u>6,894,931</u>	<u>6,713,806</u>	<u>5,579,406</u>	<u>5,353,028</u>	<u>6,518,051</u>
3,877,283	3,513,636	3,877,884	3,445,727	3,298,212	2,659,138	2,891,392
<u>1,862,711</u>	<u>1,794,940</u>	<u>1,873,668</u>	<u>1,880,017</u>	<u>2,188,400</u>	<u>2,388,956</u>	<u>1,895,793</u>
<u>5,739,994</u>	<u>5,308,576</u>	<u>5,751,552</u>	<u>5,325,744</u>	<u>5,486,612</u>	<u>5,048,094</u>	<u>4,787,185</u>
<u>2,264,754</u>	<u>929,246</u>	<u>1,143,379</u>	<u>1,388,062</u>	<u>92,794</u>	<u>304,934</u>	<u>1,730,866</u>
21,439	102,095	184,253	50,372	107,322	(64,124)	75,933
474,451	(344,085)	416,862	325,172	655,857	800,914	1,431,260
(238,539)	8,640	30,509	8,312	4,170	-	88,106
(144,913)	(161,084)	(196,526)	(227,012)	(254,632)	(119,877)	(126,549)
<u>7,519</u>	<u>26,079</u>	<u>21,669</u>	<u>108,359</u>	<u>56,740</u>	<u>45,935</u>	<u>22,740</u>
<u>119,957</u>	<u>(368,355)</u>	<u>456,767</u>	<u>265,203</u>	<u>569,457</u>	<u>662,848</u>	<u>1,491,490</u>
<u>\$ 2,384,711</u>	<u>\$ 560,891</u>	<u>\$ 1,600,146</u>	<u>\$1,653,265</u>	<u>\$ 662,251</u>	<u>\$ 967,782</u>	<u>\$ 3,222,356</u>
13.98%	2.86%	5.70%	9.93%	0.63%	4.29%	9.99%
10.37%	6.78%	10.13%	4.77%	(1.44)%	13.06%	10.58%
8.13%	(7.70)%	8.00%	(2.93)%	8.69%	5.45%	53.61%
629,003	575,553	551,228	561,792	548,384	560,468	552,349
35,566	32,611	32,937	32,569	32,664	30,385	24,990



**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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item I-A-18 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Metro Waste Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2018 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**

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Authority's responses were not subject to the 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 & COMPANY, LLP

West Des Moines, Iowa  
December 20, 2018

**Metro Waste Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2018**

**Part I—Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES**

**SIGNIFICANT DEFICIENCIES**

**18-I-A PAYMENTS TO VENDORS**

**Condition**

During the year it was discovered that payments were made in fiscal years prior to the year ended June 30, 2018 with Authority funds to a vendor whose existence was not properly verified. In addition, documentation supporting the invoices paid to the vendor could not be located by the Authority's staff.

**Criteria**

The Authority should only make payments to vendors where the identity of the vendor has been independently verified by the accounting department, and when documentation supporting the invoice has been verified.

**Cause**

The Authority's internal procedures did not include a formal policy of confirming the existence of vendors.

**Effect**

The lack of independent verification of vendors may result in inappropriate payments to vendors.

**Recommendation**

The Authority should implement procedures to ensure all vendors are independently verified prior to the issuance of a payment and all supporting documentation is present.

**Response**

The Authority implemented procedures during the year ended June 30, 2018 to independently verify the existence of vendors. The Authority will emphasize to staff the importance of maintaining supporting documentation for invoices.

**Conclusion**

Response accepted.

**INSTANCES OF NONCOMPLIANCE**

No matters were noted.

**Metro Waste Authority  
SCHEDULE OF FINDINGS (continued)  
Year ended June 30, 2018**

**Part II—Findings Related to Required Statutory Reporting**

**18-II-A QUESTIONABLE EXPENSES**

No questionable expenditures of Authority funds were noted.

**18-II-B TRAVEL EXPENSE**

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

**18-II-C BOARD MINUTES**

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

**18-II-D 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.

**18-II-E SOLID WASTE FEES RETAINAGE**

During the year ended June 30, 2018, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**18-II-F 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 is demonstrated as follows:

		<u><b>Closure/ Postclosure Care</b></u>
Total estimated costs for closure and postclosure care		\$20,333,158
Less: Amount Authority has restricted for closure and postclosure care (dedicated fund mechanism):		
Funds held at June 30, 2018	\$17,148,866	
Add: Deposit made within 30 days of the close of the fiscal year	<u>100,636</u>	<u>17,249,502</u>
Remaining costs to be assured through the local government government financial test		<u>\$ 3,083,656</u>
Financial assurance through the local government financial test		<u>\$3,623,723</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least annually and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made.

**Metro Waste Authority  
SCHEDULE OF FINDINGS (continued)  
Year ended June 30, 2018**

**Part II—Findings Related to Required Statutory Reporting (continued)**

**18-II-G PUBLICATION REQUIREMENTS – SALARIES**

The Authority is required to publish salaries annually in accordance with Chapter 28E.6 of the Code of Iowa. We noted that salaries were not published in fiscal year ended June 30, 2018.

**Recommendation**

We recommend the Authority publish salaries in accordance with requirements under the Code of Iowa.

**Response**

We will publish the salaries.

**Conclusion**

Response accepted.

**18-II-H PUBLICATION REQUIREMENT – BOARD MEETING PROCEEDINGS**

The Authority is required to publish a summary of the proceeding within 20 days following the adjournment of board meetings in accordance with Chapter 28E.6 of the Code of Iowa. We noted that for two meetings held during fiscal year ended June 30, 2018 summaries of proceedings were not published within 20 days of adjournment.

**Recommendation**

We recommend the Authority publish summaries of proceedings within 20 days of adjournment in accordance with requirements under the Code of Iowa.

**Response**

We will publish the proceedings timely.

**Conclusion**

Response accepted.