

WASTE MANAGEMENT INC

Form 11-K

June 27, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K

(Check One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2005

or

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-12154

**WASTE MANAGEMENT RETIREMENT SAVINGS PLAN FOR
BARGAINING UNIT EMPLOYEES**

Waste Management, Inc.

1001 Fannin Street

Suite 4000

Houston, TX 77002

WASTE MANAGEMENT RETIREMENT SAVINGS PLAN
FOR BARGAINING UNIT EMPLOYEES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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Report of Independent Registered Public Accounting Firm

Administrative Committee

Waste Management Retirement Savings Plan for Bargaining

Unit Employees

We have audited the accompanying statements of net assets available for benefits of the Waste Management Retirement Savings Plan for Bargaining Unit Employees as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Houston, Texas

May 30, 2006

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

| | 2005 | 2004 |
|--|--------------|--------------|
| INVESTMENTS, at fair value: | | |
| Plan interest in the Master Trust (Note 3) | \$ 2,885,222 | \$ 2,235,875 |
| Participant loans | 102,374 | 109,324 |
| Total investments | 2,987,596 | 2,345,199 |
| RECEIVABLES: | | |
| Employee contributions | 13,634 | 10,803 |
| Total receivables | 13,634 | 10,803 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 3,001,230 | \$ 2,356,002 |

The accompanying notes are an integral part of these financial statements.

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2005

| | |
|--|--------------|
| ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS: | |
| Employee contributions | \$ 702,837 |
| Net investment gain from the Master Trust (Note 3) | 161,804 |
| Participant loan interest | 5,902 |
| Plan transfers | 29,252 |
| Total additions | 899,795 |
| DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS: | |
| Benefits paid to participants | 254,567 |
| Total deductions | 254,567 |
| NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | 645,228 |
| NET ASSETS AVAILABLE FOR BENEFITS: | |
| Beginning of year | 2,356,002 |
| End of year | \$ 3,001,230 |

The accompanying notes are an integral part of these financial statements.

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements
December 31, 2005

1. Description of Plan

The following description of the Waste Management Retirement Savings Plan for Bargaining Unit Employees (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan available to all eligible employees, and their beneficiaries, of Waste Management Holdings, Inc., (Waste Management), and its affiliates (as defined in the Plan). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Administration

The board of directors of Waste Management, Inc. (WMI or the Company), the parent of Waste Management, has named the Administrative Committee of the Waste Management Employee Benefit Plans (the Administrative Committee) to serve as administrator and fiduciary of all benefit plans of WMI and its subsidiaries, including the Plan. Waste Management has entered into a Defined Contribution Plans Master Trust Agreement (the Master Trust) with State Street Bank and Trust Company (State Street) whereby State Street serves as trustee of the Plan. CitiStreet LLC (CitiStreet), an affiliate of State Street, serves as record keeper.

Eligibility

Employees are eligible to participate in the Plan following completion of a 90-day period of service (as defined by the Plan) if they are covered by a collective bargaining agreement that provides for participation in the Plan.

Employees who are ineligible to participate in the Plan consist of (a) leased employees, (b) individuals providing services to Waste Management as independent contractors, (c) certain nonresident aliens who have no earned income from sources within the United States of America and (d) individuals who are participants in any other pension, retirement, profit-sharing, stock bonus, thrift or savings plan maintained by Waste Management or the Company other than the Waste Management Pension Plan for Collectively Bargained Employees or such other plans as may from time to time be determined by the Administrative Committee.

Contributions

Effective January 1, 2005, participants may contribute from 1 percent to 25 percent of their pre-tax compensation, as defined by the Plan (Employee Contribution), not to exceed certain limits as described in the Plan document. After-tax contributions are not permitted by the Plan. Participants may also contribute amounts representing distributions from other qualified plans (Rollover Contribution). The Plan does not provide for contributions by Waste Management.

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements (continued)

1. Description of Plan (continued)

Investment Options

The Plan, through its investments in the Master Trust, currently offers participants six common collective trust funds; a Company common stock fund; a self-managed account, which allows participants to select various securities sold on the New York Stock Exchange, American Stock Exchange and NASDAQ; and three asset allocation models, which are balanced among the six common collective trust funds (with aggressive, moderate and conservative investment objectives as investment options). Several restrictions apply, and a minimum balance is required to participate in the self-managed account. The Plan utilizes cash equivalents to temporarily hold monies pending settlement for transactions initiated by participants.

Each participant who has invested in the Company common stock fund has the right to vote the shares of stock in his or her account with respect to any matter that comes before the shareholders for a vote. Additionally, if a participant invests in the self-managed account, the participant has the right to vote the shares of any common stock held in the participant's account.

Vesting

Participants are immediately vested in their Employee Contribution and Rollover Contribution accounts plus earnings thereon.

Participant Accounts

Each participant's account is credited with the participant's Employee Contribution and Rollover Contribution and an allocation of investment income and loss and expenses. Investment income and loss is allocated to the participant's account based upon the participant's proportionate share of the funds within the Plan.

During 2005, certain participants' account balances totaling approximately \$29,000 were transferred from the Waste Management Retirement Savings Plan (the Non-Union Plan) to the Plan as a result of a change in the participants' union membership status.

Payment of Benefits

Upon retirement, disability or termination of employment, participants or, in the case of a participant's death, their designated beneficiaries may make withdrawals from their accounts as specified by the Plan. Prior to termination, participants who have reached age 59-1/2 may withdraw from the vested portion of their accounts. Distributions are made by a single lump-sum payment or direct rollover. Distributions of accounts invested in Company common stock may be taken in whole shares of common stock or cash.

Participants may make withdrawals from the pre-tax portion of their accounts, excluding certain earnings, in the event of proven financial hardship of the participant. Not more than one hardship withdrawal is permitted in any 12-month period, and the participant is not permitted to contribute to the Plan or any other plans maintained by the Company for 6 months after receiving the hardship distribution.

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements (continued)

1. Description of Plan (continued)

Loans

Participants who are active employees may obtain loans of not less than \$1,000 and a maximum of 50 percent of the participants' vested accounts (excluding any amounts invested in the self-managed account) immediately preceding the loan grant date. In no event shall a loan exceed \$50,000, reduced by the greater of (a) the highest outstanding balance of loans during the one-year period ending on the date before a new loan is made or modified, or (b) the outstanding balance of loans on the date a new loan is made or modified. Not more than one loan shall be outstanding at any time. Interest rates and repayment terms are established by the Administrative Committee. Such loans shall be repaid by payroll deduction, or any other method approved by the Administrative Committee, which requires level amortization of principal and repayments no less frequently than quarterly and must be repaid over a period not to exceed 54 months.

Administrative Expenses

Master Trust administrative expenses, including trustee and investment management fees, are allocated in proportion to the investment balances of the underlying plans. Loan administration fees are charged directly to the account balance of the participant requesting the loan. Plan level administrative expenses, which include primarily recordkeeping fees, are allocated directly to the respective plan. Administrative expenses are reflected as a reduction of Master Trust investment income and are included in net investment gain from the Master Trust in the accompanying statement of changes in net assets available for benefits. In 2005, the Company elected to pay certain audit and legal fees of the Plan.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Benefits paid to participants are recorded when paid.

Use of Estimates

The preparation of the financial statements, and accompanying notes and schedule, requires management to make estimates that affect accounting for and recognition of plan assets and liabilities and additions and deductions to/from net assets available for benefits. These estimates must be made because certain of the information used is dependent on future events, which cannot be calculated with a high degree of precision from available data or simply cannot be readily calculated based on generally accepted methodologies. In some cases, management must exercise significant judgment. Actual results could differ from those estimates.

Investments

The purpose of the Master Trust is the collective investment of the assets of participating employee benefit plans of the Company. The Master Trust's assets are allocated among participating plans by assigning to each plan those transactions (primarily contributions, benefit payments and certain administrative expenses), which can be specifically identified, and by allocating among all plans, in

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)

proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. Corporate stocks, convertible notes and mutual funds held by the Master Trust are stated at fair value based on quoted market prices as of the financial statement date. The fair values of the common collective trust funds held by the Master Trust are established by State Street based on quoted market prices of the underlying assets. Short-term investments and loans to participants are stated at cost, which approximates fair value. The Master Trust records purchases and sales of securities on a trade-date basis and dividends on the ex-dividend date.

Risks and Uncertainties

The Plan provides for investment in various securities that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

3. Plan Interest in the Master Trust

The Plan investments are held in the Master Trust along with another Company-sponsored retirement plan, the Non-Union Plan. As of December 31, 2005 and 2004, the Plan's beneficial interest in the net assets of the Master Trust was .25% and .21%, respectively.

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements (continued)

3. Plan Interest in the Master Trust (continued)

The net assets of the Master Trust consist of the following:

| | December 31 | |
|-------------------------------------|----------------------|----------------------|
| | 2005 | 2004 |
| Assets- | | |
| Investments, at fair value- | | |
| Common collective trust funds | \$ 1,031,764,628 | \$ 952,914,406 |
| Short-term investments | 2,060,205 | 10,111,033 |
| Corporate stocks | 8,856,730 | 10,531,517 |
| Waste Management, Inc. common stock | 97,263,653 | 98,185,160 |
| Convertible notes | | 1,084,133 |
| Mutual funds | 11,526,233 | 9,277,001 |
| Other | 366,109 | 75,098 |
| Total investments | 1,151,837,558 | 1,082,178,348 |
| Securities sold receivable | 296,094 | 290,675 |
| Interest receivable | 1,100,499 | 924,635 |
| Cash, non-interest bearing | 25,188 | 101,941 |
| Total assets | 1,153,259,339 | 1,083,495,599 |
| Liabilities- | | |
| Administrative fees payable | 1,119,106 | 899,646 |
| Securities purchased payable | | 136,772 |
| Total liabilities | 1,119,106 | 1,036,418 |
| Total net assets | \$ 1,152,140,233 | \$ 1,082,459,181 |
| Non-Union Plan interest | \$ 1,149,255,011 | \$ 1,080,223,306 |
| Plan interest | 2,885,222 | 2,235,875 |

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Notes to Financial Statements (continued)

3. Plan Interest in the Master Trust (continued)

Income or loss from investments held in the Master Trust for the year ended December 31, 2005, was as follows:

| | |
|--|-------------------|
| Interest | \$ 11,384,159 |
| Dividends | 550,004 |
| Dividends Waste Management, Inc. common stock | 2,656,299 |
| Other income | 142,113 |
| Net appreciation/(depreciation) in fair value of- Common collective trust funds | 50,468,392 |
| Corporate stocks | (1,700,322) |
| Waste Management, Inc. common stock | 1,642,295 |
| Convertible notes | 37,867 |
| Other | 381,216 |
| Mutual funds | 368,852 |
| Total net appreciation in fair value of investments | 51,198,300 |
| Total investment gain | 65,930,875 |
| Administrative fees | (4,753,044) |
| Net gain | \$ 61,177,831 |
| Non-Union Plan interest in net investment gain from the Master Trust | \$ 61,016,027 |
| Plan interest in investment gain from the Master Trust | 161,804 |

4. Federal Income Taxes

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated November 30, 2001, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

5. Plan Termination

Although it has not expressed any intention to do so, subject to the terms of any applicable collective bargaining agreement, the Company has the right to terminate the Plan subject to the provisions of ERISA.

Supplemental Schedule

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Schedule H, Line 4(i) Schedule of Assets (Held At End of Year)
EIN: 36-2660763 PN: 007
December 31, 2005

| Identity of Issue | Description of Investment | Current Value |
|--------------------------|--|----------------------|
| *Participant Loans | Various maturity dates with interest rates ranging from 5.0% to 8.0% | \$102,374 |

* Party-in-interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 27, 2006

WASTE MANAGEMENT RETIREMENT SAVINGS
PLAN FOR BARGAINING UNIT EMPLOYEES

By: /s/ Krista DelSota

Krista DelSota
Vice President, Compensation and Benefits
Waste Management, Inc.
Member, Administrative Committee of the
Waste Management Employee Benefit Plans

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INDEX TO EXHIBITS

**Exhibit
Number**

Description

23.1

Consent of Independent Registered Public Accounting Firm

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