

WASTE MANAGEMENT INC

Form 11-K

June 28, 2007

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2006

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
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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, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. 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, 2006 and 2005, and the changes in its net assets available for benefits for the year ended December 31, 2006, 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, 2006, 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

June 27, 2007

Waste Management Retirement Savings Plan
For Bargaining Unit Employees
Statements of Net Assets Available for Benefits
December 31, 2006 and 2005

	2006	2005
ASSETS:		
INVESTMENTS, at fair value:		
Plan interest in the Master Trust (Note 4)	\$ 3,733,685	\$ 2,883,045
Participant loans	81,054	102,374
Total investments	3,814,739	2,985,419
RECEIVABLES:		
Employee contributions	13,963	13,634
Transfer of employee contributions from affiliated plan	27,370	
Total receivables	41,333	13,634
Total assets	3,856,072	2,999,053
LIABILITIES:		
Refund of employee contributions	13,336	
Total liabilities	13,336	
NET ASSETS AVAILABLE FOR BENEFITS, at fair value	3,842,736	2,999,053
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	2,004	2,177
 NET ASSETS AVAILABLE FOR BENEFITS	 \$ 3,844,740	 \$ 3,001,230

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, 2006

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS:

Contributions	
Employee	\$ 750,838
Rollover	4,247
	755,085
Net investment gain from the Master Trust (Note 4)	420,097
Participant loan interest	6,016
Plan transfers	10,749
Total additions	1,191,947

DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS:

Benefits paid to participants	348,437
Total deductions	348,437

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS 843,510

NET ASSETS AVAILABLE FOR BENEFITS:

Beginning of year	3,001,230
End of year	\$ 3,844,740

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, 2006

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 Summary Plan Description and 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 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 (as defined by the Plan) 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.

Individuals 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 certain other pension, retirement, profit-sharing, stock bonus, thrift or savings plans 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.

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

1. Description of Plan (continued)

Contributions

Participants may contribute from one percent to 25 percent of their pre-tax compensation, as defined by the Plan, not to exceed certain limits as described in the Plan document (Employee Contribution). 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 or participating subsidiaries.

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 five target retirement-date funds, which are also common collective trust funds. Prior to May 22, 2006, the Plan offered participants three asset allocation models, which were balanced among the six common collective trust funds, in place of the five target retirement-date funds currently offered. 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 Master Trust.

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

1. Description of Plan (continued)

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 six months after receiving the hardship distribution.

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

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

1. Description of Plan (continued)

method approved by the Administrative Committee. The Administrative Committee requires that (i) repayments be made no less frequently than quarterly; (ii) loans be repaid over a period not to exceed 54 months; and (iii) repayments be applied to principal using a level amortization over the repayment period.

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 2006, 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.

New Accounting Pronouncement

On December 29, 2005, the Financial Accounting Standards Board issued Financial Accounting Standards Board (FASB) Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Audit Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). The FSP defines the circumstances in which an investment contract is considered fully benefit-responsive and provides certain reporting and disclosure requirements for fully benefit-responsive investment contracts. The FSP requires fully benefit-responsive investment contracts held by defined-contribution plans to be reported at fair value. The FASB continues to recognize that contract value is a relevant measurement attribute for fully benefit-responsive investment contracts because contract values are representative of the amount that participants would receive if they were to initiate permitted transactions under the terms of the Plan. Accordingly, the FSP requires that the Statements of Net Assets Available for Benefits

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

2. Summary of Accounting Policies (continued)

present both the fair value of fully benefit-responsive investment contracts and a reconciling adjustment from fair value to contract value of fully benefit-responsive investment contracts to arrive at Net Assets Available for Benefits. The Plan has adopted the FSP as of December 31, 2006. The requirements of the FSP have been applied retroactively to the accompanying Statement of Net Assets Available for Benefits as of December 31, 2005 as a result of the adoption of the FSP. The FSP did not impact the Statement of Changes in Net Assets Available for Benefits, which continues to be presented on a contract value basis.

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 Waste Management and 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 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 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 generally based on net asset values established by State Street (the issuer of the common collective trust funds) based on fair values of the underlying assets. The common collective trust funds held by the Master Trust include a Stable Value Fund that invests in guaranteed investment contracts (GICs) and synthetic investment contracts (Synthetic GICs). The fair value measurement of these investments is discussed further in Note 3. 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.

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

2. Summary of Accounting Policies (continued)

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. Investment Contracts

The common collective trust funds held by the Master Trust include a Stable Value Fund that invests in fully benefit-responsive GICs and Synthetic GICs. The Plan's adoption of the FSP discussed in Note 2 resulted in a change in the required presentation and disclosures associated with GICs and Synthetic GICs. The following disclosures provide information about the nature of these investments and how fair values of these investments are measured. For information related to the changes in presentation required as a result of the adoption of the FSP, refer to Note 2.

Guaranteed Investment Contracts - GICs are contracts that provide a specified rate of return for a specific period of time. The fair values of the GICs included in the Plan's Stable Value Fund are measured by State Street using a discounted cash flow methodology. Under this approach, the cash flows of each individual contract are discounted at the prevailing interpolated swap rate as of the appropriate measurement date.

Synthetic Guaranteed Investment Contracts - Synthetic GICs are comprised of (i) individual assets or investments placed in a trust and (ii) wrapper contracts that guarantee that participant transactions will be executed at contract value. The investment portfolio of a Synthetic GIC when coupled with a wrapper contract attempts to replicate the investment characteristics of traditional GICs.

State Street measures the fair value of the Synthetic GICs included in the Plan's Stable Value Fund as follows:

Fair value of individual assets and investments - Individual assets and investments are valued at representative quoted market prices when available. Short-term securities, if any, are stated at amortized cost, which approximates fair value. Debt securities are valued by a pricing

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

3. Investment Contracts (continued)

service based on market transactions for comparable securities and various relationships between securities that are generally recognized by institutional traders. Investments in regulated investment companies or collective investment funds are valued at the net asset value per share or unit on the valuation date. Any accrued interest on the underlying investments is also included as a component of the fair value of those investments.

Fair value of wrapper contracts - The fair value of wrapper contracts is determined using a market approach discounting methodology that incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged for the Synthetic GIC. This difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of the appropriate measurement date.

4. Plan Interest in the Master Trust

The Plan investments are held in the Master Trust along with the Waste Management Retirement Savings Plan (the Non-Union Plan). As of December 31, 2006 and 2005, the Plan s beneficial interest in the net assets of the Master Trust was .28% and .25%, respectively.

Neither the Plan nor the Non-Union Plan has an undivided interest in the investments held in the Master Trust since each plan s interest in the investments of the Master Trust is based on the account balances of the participants and their elected investment fund options. However, the Plan s beneficial interest in each of the underlying investment fund options does not vary significantly from the Plan s beneficial interest in the total net assets of the Master Trust.

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

4. Plan Interest in the Master Trust (continued)

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

	December 31,	
	2006	2005
Assets-		
Investments, at fair value-		
Common collective trust funds	\$ 1,171,802,378	\$ 1,029,307,424
Short-term investments	2,798,959	2,060,205
Corporate stocks	9,968,353	8,856,730
Waste Management, Inc. common stock	117,083,348	97,263,653
Mutual funds	13,384,021	11,526,233
Other	106,425	366,109
 Total investments	 1,315,143,484	 1,149,380,354
 Securities sold receivable		 296,094
Interest receivable	1,009,442	1,100,499
Cash, non-interest bearing	18,066	25,188
 Total assets	 1,316,170,992	 1,150,802,135
 Liabilities-		
Administrative fees payable	953,256	1,119,106
Securities purchased payable	86,586	
 Total liabilities	 1,039,842	 1,119,106
 Total net assets	 1,315,131,150	 1,149,683,029
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	2,535,060	2,457,204
	\$ 1,317,666,210	\$ 1,152,140,233

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

4. Plan Interest in the Master Trust (continued)

Respective interests in the net assets of the Master Trust by the Non-Union Plan and the Plan are as follows:

	December 31,	
	2006	2005
Net assets, fair value:		
Non-Union Plan interest	\$ 1,311,397,465	\$ 1,146,799,984
Plan interest	3,733,685	2,883,045
Total	\$ 1,315,131,150	\$ 1,149,683,029
Adjustment from fair value to contract value for fully benefit-responsive contracts:		
Non-Union Plan interest	\$ 2,533,056	\$ 2,455,027
Plan interest	2,004	2,177
Total	\$ 2,535,060	2,457,204
Net assets, fully benefit-responsive contracts at contract value:		
Non-Union Plan interest	\$ 1,313,930,521	\$ 1,149,255,011
Plan interest	3,735,689	2,885,222
Total	\$ 1,317,666,210	\$ 1,152,140,233

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

4. Plan Interest in the Master Trust (continued)

Income or loss from investments held in the Master Trust for the year ended December 31, 2006, was as follows:

Interest	\$ 12,089,321
Dividends	829,413
Dividends Waste Management, Inc. common stock	2,854,650
Other income (loss)	(18,052)
Net appreciation/(depreciation) in fair value of- Common collective trust funds	114,550,367
Corporate stocks	325,399
Waste Management, Inc. common stock	20,674,046
Other	(76,667)
Mutual funds	(1,361,213)
 Total net appreciation in fair value of investments	 134,111,932
 Total investment gain	 149,867,264
 Administrative fees	 4,318,103
 Net gain	 \$ 145,549,161
 Non-Union Plan interest in net investment gain from the Master Trust	 \$ 145,129,064
Plan interest in net investment gain from the Master Trust	420,097

5. 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 Sponsor has indicated that it will take the necessary steps, if any, to bring the Plan s operations into compliance with the Code.

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

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2006, to the Form 5500:

Net assets available for benefits per the financial statements	\$ 3,844,740
Less Adjustment from fair value to contract value for fully benefit- responsive investment contracts	(2,004)
 Net assets available for benefits per the Form 5500	 \$ 3,842,736

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements for the year ended December 31, 2006, to the Form 5500:

Net increase in net assets available for benefits per the financial statements	\$ 843,510
Less Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(2,004)
 Net increase in net assets available for benefits per the Form 5500	 \$ 841,506

The accompanying financial statements present fully benefit-responsive contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investments contracts represents a reconciling item. The 2005 Form 5500 presents the fully benefit-responsive investment contracts at contract value and will not be amended.

7. 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.

8. Related Party Transactions

Certain investments of the Plan are managed by State Street. State Street is the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions. Additionally, a portion of the Plan's assets are invested in the Company's common stock. Because the Company is the Plan Sponsor, transactions involving the Company's common stock qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules.

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

9. New Accounting Pronouncement

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for the Plan beginning January 1, 2008. Management is currently evaluating the impact, if any, the adoption of SFAS No. 157 will have on the financial statements of the Plan.

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, 2006

Identity of Issue	Description of Investment	Current Value
*Participant Loans	Various maturity dates with interest rates ranging from 5.0% to 9.3%	\$81,054
* 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.

WASTE MANAGEMENT RETIREMENT
SAVINGS PLAN FOR BARGAINING
UNIT EMPLOYEES

Date: June 28, 2007

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 18