

BLUESTEM SOLID WASTE AGENCY

A Component Unit
of the
City of Cedar Rapids, Iowa

BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2004
and
INDEPENDENT AUDITOR'S REPORT

BLUESTEM SOLID WASTE AGENCY

A Component Unit of the
City of Cedar Rapids, Iowa

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BLUESTEM SOLID WASTE AGENCY

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Cedar Rapids/Linn County Solid Waste Agency
City of Cedar Rapids, Iowa

We have audited the accompanying basic financial statements of the Bluestem Solid Waste Agency (Agency), a component unit of the City of Cedar Rapids, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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; and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bluestem Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa as of June 30, 2004, and the changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004 on our consideration of the City of Cedar Rapids, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and, the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Davenport, Iowa
October 14, 2004

Management's Discussion and Analysis

As management of Bluestem Solid Waste Agency (Agency), we offer readers of the Bluestem financial statements this narrative overview and analysis of the financial statements of the Bluestem Solid Waste Agency for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2004 and 2003 by \$21,095,961 and \$21,925,833 respectively.
- The Agency's total assets increased by \$1,462,375 or a 4.5% growth over the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements.

Basic financial statements – The basic financial statements are designed to provide readers with a broad overview of Bluestem's finances in a manner similar to a private-sector business. The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Agency is operated under one enterprise fund. Under this method of accounting an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the Agency for the fiscal year with the difference being the change in fund net assets for the fiscal year.

The notes to the financial statements provide additional information that is essential to a full understanding or the data provided in the financial statements. The notes to the financial statements can be found on Pages 10-16 of this report.

The basic financial statements include only the Bluestem Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the Agency.

Statement of Net Assets

Condensed versions of the Statements of Net Assets as of June 30, 2004 and 2003 follow:

	FY 2004	FY 2003
Cash and investments	\$ 23,654,232	\$ 21,224,447
Other assets	1,855,504	1,435,769
Capital assets	8,382,784	9,769,929
Total assets	<u>33,892,520</u>	<u>32,430,145</u>

Table 1
Net Assets (Continued)

	<u>FY 2004</u>	<u>FY 2003</u>
Other liabilities	773,964	1,087,530
Noncurrent liabilities	12,022,595	9,416,782
Total liabilities	<u>12,796,559</u>	<u>10,504,312</u>
Net Assets:		
Invested in capital assets, net of related debt	8,382,784	9,769,929
Restricted	13,277,154	12,637,668
Unrestricted (deficit)	<u>(563,977)</u>	<u>(481,764)</u>
Total net assets	<u>\$ 21,095,961</u>	<u>\$ 21,925,833</u>

Total assets increased 4.5% for fiscal year 2004. This was primarily due to increase in the cash and investment balances that were generated from operations in fiscal 2004.

Total assets increased 7.59% for fiscal year 2003. This was primarily due to an increase in cash and investment balances that were generated from operations in fiscal 2003.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

A summary version of the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ending 2004 and 2003 follow:

Table 2
Statement of Revenues, Expenses, and Changes in Fund Net Assets

	<u>FY 2004</u>	<u>FY 2003</u>
Revenues:		
Charges for services	\$ 6,799,186	\$ 6,717,090
Use of money and property	68,110	195,730
Rents and royalties	8,929	10,572
Miscellaneous	1,522,568	1,510,534
Other nonoperating revenue		
Investment income	210,410	563,269
Intergovernmental	75,423	192,609
Gain on sale of assets	26,871	-
Total revenues	<u>8,711,497</u>	<u>9,189,804</u>
Expenses:		
Personal services	2,169,132	1,956,865
Purchased services	2,364,614	1,857,634
Supplies and materials	1,010,168	1,059,571
Other	2,730,558	41,573
Depreciation	1,266,897	1,316,282
Other nonoperating expense		
Loss on sale of assets	-	50,163
Total expenses	<u>9,541,369</u>	<u>6,282,088</u>

Table 2
Statement of Revenues, Expenses, and Changes in Fund Net Assets (Continued)

	FY 2004	FY 2003
Change in net assets	(829,872)	2,907,716
Total net assets, beginning	21,925,833	19,018,117
Total net assets, ending	\$ 21,095,961	\$ 21,925,833

As expected, charges for services are the primary revenue source for the Agency. This is 78.0% of the total revenues. Investment income accounts for an additional 2.4% of the total revenues. There was an increase in charges for services from the prior year caused by an increase in landfill solid waste revenue.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment increased the budget by \$2,344,508. This 22.6% increase of the entire budget was primarily due to an increase in closure and post-closure accrual expense and land acquisition.

Capital Assets

As of June 30, 2004, the Agency had invested \$8,382,784 in capital assets as are reflected in the following table. This investment includes land, buildings and structures, improvements other than buildings, machinery and equipment, and construction in progress.

Table 3
Capital Assets at Fiscal Year-End
(Net of Depreciation)

	FY 2004	FY 2003
Land	\$ 2,812,801	\$ 3,604,643
Buildings and structures	740,889	796,540
Improvements other than buildings	2,280,007	2,656,050
Machinery and equipment	2,540,227	2,712,696
Construction in progress	8,860	-
	\$ 8,382,784	\$ 9,769,929

The following table reconciles the change in capital assets. The amount of decrease in capital assets net of depreciation and retirements is \$1,387,145, which is a 14.2% decrease during the year. A majority of the decrease was due to the legal settlement of land.

Table 4
Change in Capital Assets

	FY 2004
Beginning balance	\$ 9,769,929
Additions	2,493,774
Net retirements	(2,614,022)
Depreciation	(1,266,897)
Ending balance	\$ 8,382,784

Additional information on the Agency's capital assets can be found in Note 6 on page 13 of this report.

Long-Term Obligation

The Agency is liable for all closure and postclosure care costs at the two landfill sites except for the liabilities retained by the City of Cedar Rapids, Iowa. The Agency's liability as of June 30, 2004 was \$11,892,511. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Economic Factors

The Cedar Rapids MSA mean household income in 2004 was \$70,567 as compared to \$70,115 in 2003. These amounts are presented in 1996 constant dollar.

The average hourly rate in manufacturing was \$19.53 in 2002 as compared to \$19.19 in 2001. The average hourly workweek also increased from 42.9 hours in 2001 to 43.3 in 2002.

Retail sales in the metro reached an all time high of \$2.75 billion for calendar year 2003 compared to \$2.72 billion in calendar year 2002. Of this total, \$2.33 billion was generated in Cedar Rapids.

The total value of building permits was approximately \$153.8 million. This compares with an amount of \$130.5 for FY 2003. This amount represents an increase of 17.9 percent from the previous fiscal year.

Most of the rates and programs will remain the same for fiscal year 2005.

Financial Information Contact

The Agency's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact The Bluestem Solid Waste Agency at 6301 Kirkwood Blvd. SW, Cedar Rapids, Iowa 52404.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Net Assets
June 30, 2004

ASSETS

Current assets:

Cash and investments	\$ 23,654,232
Receivables:	
Accounts and unbilled usage, net	
\$49,201 of allowance for doubtful accounts	574,030
Notes	778,591
Due from other governments	245,137
Inventories	104,097
Prepaid items	68,637
Deferred charges	85,012
Total current assets	<u>25,509,736</u>

Noncurrent assets:

Nondepreciable:	
Land	2,812,801
Construction in progress	8,860
Depreciable:	
Buildings and structures	1,225,699
Improvements other than buildings	4,292,316
Machinery and equipment	6,652,406
Accumulated depreciation	<u>(6,609,298)</u>
Total concurrent assets	<u>8,382,784</u>
Total assets	<u>33,892,520</u>

LIABILITIES

Current liabilities:

Vouchers payable	327,323
Accrued expenses	169,016
Revenues collected in advance	19,027
Due to other governments	230,098
Security deposits	28,500
Total current liabilities	<u>773,964</u>

Concurrent liabilities:

Due within one year	
Compensated absences	130,084
Due in more than one year	
Closure/post closure landfill	11,892,511
Total concurrent liabilities	<u>12,022,595</u>
Total liabilities	<u>12,796,559</u>

NET ASSETS

Invested in capital assets, net of related debt	8,382,784
Restricted for:	
Closure/post closure landfill	13,036,726
Compost site closure	240,428
Unrestricted (deficit)	<u>(563,977)</u>
	<u>\$ 21,095,961</u>

The notes to the financial statements are an integral part of this statement.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2004

Operating revenues:	
Charges for services	\$ 6,799,186
Use of money and property	68,110
Rents and royalties	8,929
Miscellaneous	<u>1,522,568</u>
Total operating revenues	<u>8,398,793</u>
Operating expenses:	
Personal services	2,169,132
Purchased services	2,364,614
Supplies and materials	1,010,168
Other	2,730,558
Depreciation	<u>1,266,897</u>
Total operating expenses	<u>9,541,369</u>
Operating income (loss)	<u>(1,142,576)</u>
Nonoperating revenues (expenses):	
Intergovernmental	75,423
Investment earnings	210,410
Gain on sale of assets	<u>26,871</u>
Total nonoperating revenue (expenses)	<u>312,704</u>
Change in net assets	(829,872)
Total net assets, beginning	<u>21,925,833</u>
Total net assets, ending	<u>\$ 21,095,961</u>

The notes to the financial statements are an integral part of this statement.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash flows from operating activities:	
Cash received from users	\$ 7,925,080
Cash paid to employees	(2,052,214)
Cash paid to suppliers	(3,922,059)
Net cash flows from operating activities	<u>1,950,807</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>75,423</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,493,774)
Proceeds from disposition of property and equipment	2,640,893
Issuance costs and deferred charges	(85,012)
Net cash flows from capital and related financing activities	<u>62,107</u>
Cash flows from investing activities:	
Interest on investments	<u>341,448</u>
Net increase in cash and cash equivalents	2,429,785
Cash and cash equivalents, July 1, 2003	21,224,447
Cash and cash equivalents, June 30, 2004	<u>\$ 23,654,232</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:	
Operating income (loss)	\$ (1,142,576)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation expense	1,266,897
Change in assets and liabilities:	
(Increase) in prepaid items	(65,502)
(Decrease) in vouchers payable	(418,645)
Increase in compensated absences	5,674
Increase in accrued expenses	111,244
Decrease in accounts receivable	33,024
(Increase) in notes receivable	(422,015)
Decrease in inventories	67,289
(Increase) in due from other governments	(78,557)
(Decrease) in due to other governments	(25,117)
Increase in security deposits	3,000
Increase in revenues collected in advance	15,952
Increase in closure/postclosure payable	2,600,139
Net cash flows from operating activities	<u>\$ 1,950,807</u>

The notes to the financial statements are an integral part of this statement.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Note 1: Nature of Business and Reporting Entity and Significant Accounting Policies

Nature of Business and Reporting Entity—Effective July 1, 1994, the City of Cedar Rapids, Iowa (the “City”) and Linn County, Iowa (the “County”) entered into an agreement under Chapter 28E of the Code of Iowa creating the Cedar Rapids/Linn County Solid Waste Agency now known as Bluestem Solid Waste Agency (the “Agency”). The Agency accounts for the disposal of solid waste into the combined City/County landfills in an integrated manner for the benefit of the public in Linn County. The Agency is a component unit of the City of Cedar Rapids, Iowa. The City of Cedar Rapids, Iowa has the authority to appoint the majority of the Agency’s Board of Directors and is able to impose its will on the Agency’s operations. The Agency is an integral part of the City of Cedar Rapids, Iowa’s reporting entity. Accounting principles generally accepted in the United States of America require that the financial reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

In connection with the creation of the Agency, the City of Cedar Rapids, Iowa and Linn County, Iowa transferred their landfill sites and certain other assets to the Agency. The Agency assumed closure and postclosure liabilities related to such landfill sites in an amount equal to the estimated fair value of the assets transferred. The Agency has recorded the assets received from the County at their estimated fair value at the date of transfer. Since the City, through its authority to appoint the majority of the Agency’s Board of Directors, exercises control over the Agency, the assets received from the City were recorded at their carrying value at the date of transfer.

Summary of Significant Accounting Policies

The Agency applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, (the GASB jurisdiction determination date) which do not conflict with or contradict GASB pronouncements.

Basis of Accounting—The Agency uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Agency are included in the Statement of Net Assets.

Accounting Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—Revenue is recognized upon the receipt and acceptance of nonhazardous industrial and municipal waste at the Agency’s solid waste landfills.

Cash and Investments—For purposes of the reporting of cash flows, the Agency considers its cash and investments to be cash equivalents as these amounts have the same characteristics of demand deposits.

Investments—Investments are stated at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Inventories—Inventories are carried at lower of cost (first-in/first-out) or market.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Vacation and Sick Leave—Agency employees earn vacation and sick leave in varying amounts monthly. Total vested paid leave will be paid upon termination of employment. Vacation and sick leave accrued as of June 30, 2004 was \$130,084 and is due within one year.

Capital Assets—Capital assets are stated at cost. Assets contributed by Linn County are valued at their estimated fair value on the date contributed. Capital assets that will be used exclusively for the landfill are being depreciated at estimated useful life of the landfill. Depreciation of other capital assets to be used after the landfill closes are recorded on the straight line basis using the following useful lives:

Vehicles	5 to 7 years
Buildings	20 years
Other equipment	5 to 15 years

Operating and Nonoperating Revenues and Expenses—Operating revenues result from exchange transactions of the Agency’s activities. Nonoperating revenues result from nonexchange transactions such as grants and investment earnings. Expenses associated with operating the waste facilities are considered operating.

Net Assets—Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency first applies restricted resources.

Note 2: Cash and Investments

Chapter 12B.10 of the Code of Iowa allows the Agency to invest in U.S. Treasury Bills, Notes, and Bonds; state and local government securities; collateralized prime, bankers acceptances; real estate and real estate mortgages; and collateralized commercial paper rated in the two highest prime classifications by at least one of the standard rating services approved by the Superintendent of Banking; perfected repurchase agreements; or in time deposits as provided by Chapter 12B.10. Common, preferred, or guaranteed stock are an exception for public funds investments.

Cash and investments at June 30, 2004, consist of the following:

Cash	\$	588,068
Certificate of deposit		12,109,145
U.S. Government and Agency Securities		<u>10,957,019</u>
Total	\$	<u><u>23,654,232</u></u>

At June 30, 2004, the Agency had deposit carrying amounts of \$12,697,213 and bank balances of \$12,863,143, of which, \$100,000 were covered by federal depository insurance and \$12,763,143 were insured by the State through pooled collateral, State banking funds, and by the State’s ability to assess for lost funds.

The Agency’s investments in U.S. Government and Agency Securities are categorized as Category 1 at June 30, 2004. Category 1 includes investments that are insured or registered, or the securities are held by the Agency or its agent in the Agency’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Agency’s name. Category 3 includes uninsured and unregistered investments for which securities are held by the bank, but not specifically in the Agency’s name.

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

The Agency's investments during the year did not vary substantially from those at year end in amounts or level of risk.

Note 3: Closure and Postclosure Care Costs

State and federal laws and regulations require the Agency to place a final cover on the landfill sites when the Agency stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the liabilities of closure and postclosure care costs are to be expensed in each period the landfill accepts waste based upon landfill capacity used as of each statement date.

The City's and Linn County's liability for closure and postclosure care costs as of July 1, 1994 were fixed as part of the aforementioned Chapter 28E agreement based on estimated care costs and the percentage of landfill capacity utilized for each of the two respective landfill sites.

The Agency is liable for all closure and postclosure care costs at the two landfill sites except for the liability retained by the City of Cedar Rapids, Iowa. The Agency's liability as of June 30, 2004, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

	Former City Landfill	Former County Landfill	Total
Total care costs	\$ 11,838,720	\$ 6,081,242	\$ 17,919,962
Care costs remaining to be recognized attributable to unutilized capacity	(581,281)	(2,268,074)	(2,849,355)
Liability retained by City	(3,178,096)	-	(3,178,096)
Care costs recognized attributable to utilized capacity	<u>\$ 8,079,343</u>	<u>\$ 3,813,168</u>	<u>\$ 11,892,511</u>
Capacity utilized	<u>95.09%</u>	<u>73.59%</u>	
Estimated remaining life	<u>2.3 years</u>	<u>7.0 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2004. Restricted funds for landfill closure and post-closure are updated annually and comply with the statutory requirements enacted by the State of Iowa, (Administrative Code 567-Chapter 111), Financial Assurance Requirements for Municipal Solid Waste Landfills as of June 30, 2004, balances were as follows:

Restricted for:	
Closure/post closure landfill	\$ 13,036,726
Compost site closure	240,428
	<u>\$ 13,277,154</u>

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 124,410	\$ 169,619	\$ 163,945	\$ 130,084	\$ 130,084
Claims and judgments	500,000	-	500,000	-	-
Closure/post closure landfill	9,292,372	2,623,846	23,707	11,892,511	-
Long-term liabilities	<u>\$ 9,916,782</u>	<u>\$ 2,793,465</u>	<u>\$ 687,652</u>	<u>\$ 12,022,595</u>	<u>\$ 130,084</u>

Note 5: Operating Leases

The Agency leases certain buildings and equipment under operating leases expiring at various dates through the year 2008. Minimum lease payments under noncancellable operating leases with an initial term of one year or more as of June 30, 2004, are summarized as follows:

Fiscal Year	Amount
2005	\$ 87,599
2006	87,599
2007	73,274
2008	26,610
Total lease payments	<u>\$ 275,082</u>

Note 6: Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,604,643	\$ 1,773,840	\$ (2,565,682)	\$ 2,812,801
Construction in progress	-	8,860	-	8,860
Total capital assets, not being depreciated	<u>3,604,643</u>	<u>1,782,700</u>	<u>(2,565,682)</u>	<u>2,821,661</u>
Capital assets, being depreciated:				
Buildings	1,225,699	-	-	1,225,699
Improvements other than buildings	4,263,441	28,875	-	4,292,316
Machinery and equipment	6,707,168	682,199	(736,961)	6,652,406
Total capital assets being depreciated	<u>12,196,308</u>	<u>711,074</u>	<u>(736,961)</u>	<u>12,170,421</u>
Less accumulated depreciation for:				
Buildings	(429,159)	(55,651)	-	(484,810)
Improvements other than buildings	(1,607,391)	(404,918)	-	(2,012,309)
Machinery and equipment	(3,994,472)	(806,328)	688,621	(4,112,179)
Total accumulated depreciation	<u>(6,031,022)</u>	<u>(1,266,897)</u>	<u>688,621</u>	<u>(6,609,298)</u>
Total capital assets, being depreciated, net	<u>6,165,286</u>	<u>(555,823)</u>	<u>(48,340)</u>	<u>5,561,123</u>
Total capital assets, net	<u>\$ 9,769,929</u>	<u>\$ 1,226,877</u>	<u>\$ (2,614,022)</u>	<u>\$ 8,382,784</u>

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Note 7: Iowa Public Employees Retirement System

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$92,576, \$85,084, and \$79,558, respectively, equal to the required contributions for each year.

Note 8: Related Party Transactions

Accounts receivable at June 30, 2004 includes \$206,283 and \$1,530 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2004 includes \$43,738 and \$1,756 due to the City of Cedar Rapids, Iowa and Linn County, respectively.

Note 9: Risk Management

The Agency is exposed to various risk of loss related to tort, theft, damage, or 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.

Note 10: Budgetary Control, Compliance, and Appropriation Data

The Agency prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for its expenditures.

The Agency budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation expenditure of amounts anticipated to be available from sources other than taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

The budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore it is the City Council's policy that only state required budget amendments will be adopted. The Agency budget was amended as prescribed.

The Agency budgetary basis for actual expenditures include capital expenditures. The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2004 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 10,386,277	\$ 2,344,508	\$ 12,730,785	\$ 12,071,399

Bluestem Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Budgetary Basis Actual Expenditures	\$ 12,071,399
Less: Capital Budgeted Expenditures	<u>(2,530,030)</u>
Total operating expenses	<u>\$ 9,541,369</u>

Note 11: New Pronouncements

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the Agency beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the Agency beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Governmental Accounting Standards Board Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Agency beginning with its year ending June 30, 2007. This statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective in phases using the same criteria applied in the implementation of the new governmental reporting model.

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004 will be effective for the Agency beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

The Agency has not yet determined the effect these statements will have on their financial statements.