CEDAR RAPIDS / LINN COUNTY
SOLID WASTE AGENCY

A Component Unit
of the
City of Cedar Rapids, Iowa

BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006
and
INDEPENDENT AUDITOR'S REPORT

PUBLISHED BY
OFFICE OF
CONTROLLER-AUDITOR
CITY OF CEDAR RAPIDS, IOWA

CEDAR RAPIDS / LINN COUNTY
SOLID WASTE AGENCY

A Component Unit of the
City of Cedar Rapids, Iowa

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CEDAR RAPIDS / LINN COUNTY
SOLID WASTE AGENCY

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Executive Director

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 Cedar Rapids/Linn County Solid Waste Agency (Agency), a component unit of the City of Cedar Rapids, Iowa, as of and for the year ended June 30, 2006. 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. 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 Cedar Rapids/Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa as of June 30, 2006, 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 17, 2006 on our consideration of the Agency'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 and budgetary comparison information on page 16 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 17, 2006

Management's Discussion and Analysis

As management of Cedar Rapids / Linn County Solid Waste Agency (Agency), we offer readers of the Cedar Rapids / Linn County financial statements this narrative overview and analysis of the financial statements of the Cedar Rapids / Linn County Solid Waste Agency for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2006 and 2005 by $21,897,690 and $20,812,513 respectively.
- The Agency's total assets increased by $1,913,612 or a 5.6% 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 the Agency'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 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 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 10-15 of this report.

The basic financial statements include only the Cedar Rapids / Linn County 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, 2006 and 2005 follow:

Table 1
Net Assets

	FY 2006	FY 2005
Cash and investments	$ 24,712,487	$ 24,531,065
Other assets	1,860,358	1,587,481
Capital assets	9,616,294	8,156,981
Total assets	36,189,139	34,275,527

Table 1
Net Assets (Continued)

	FY 2006	FY 2005
Other liabilities	1,117,888	770,538
Noncurrent liabilities	13,173,561	12,692,476
Total liabilities	14,291,449	13,463,014
Net Assets:		
Invested in capital assets, net of related debt	9,616,294	8,156,981
Restricted	13,712,327	12,634,254
Unrestricted (deficit)	(1,430,931)	21,278
Total net assets	$ 21,897,690	$ 20,812,513

Total assets increased 5.6% for fiscal year 2006. This was primarily due to increase in the capital assets balances due to purchasing of capital assets during fiscal year 2006.

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

A summary version of the Statement of Revenues, Expenses, and Changes in Net Assets for the years ending 2006 and 2005 follow:

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

	FY 2006	FY 2005
Revenues:		
Charges for services	$ 5,218,836	$ 4,859,172
Use of money and property	122,425	51,974
Rents and royalties	3,151	9,442
Miscellaneous	1,529,224	1,774,069
Other nonoperating revenue		
Investment income	1,005,177	465,900
Intergovernmental	153,308	53,513
Total revenues	8,032,121	7,214,070
Expenses:		
Personal services	1,957,257	2,033,758
Purchased services	1,914,736	1,926,714
Supplies and materials	1,168,888	1,351,730
Other	688,045	760,737
Depreciation	1,190,969	1,318,938
Other nonoperating expense		
Loss on sale of assets	27,049	105,641
Total expenses	6,946,944	7,497,518

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

	FY 2006	FY 2005
Change in net assets	1,085,177	(283,448)
Total net assets, beginning	20,812,513	21,095,961
Total net assets, ending	$ 21,897,690	$ 20,812,513

As expected, charges for services are the primary revenue source for the Agency. This is 65% of the total revenues. Investment income accounts for an additional 12.5% of the total revenues. There was an increase in charges for services from the prior year due to increase in customers using the landfill in fiscal year 2006.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment increased the budget by $288,862. This 2.9% increase of the entire budget was primarily due to engineering services.

Capital Assets

As of June 30, 2006, the Agency had invested $9,616,294 in capital assets as are reflected in the following table. This investment includes land, buildings and structures, improvements other than buildings, and machinery and equipment.

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

	FY 2006	FY 2005
Land	$ 3,666,290	$ 3,666,290
Buildings and structures	966,221	685,239
Improvements other than buildings	3,320,281	1,803,840
Machinery and equipment	1,663,502	2,001,612
	$ 9,616,294	$ 8,156,981

The following table reconciles the change in capital assets. The amount of increase in capital assets net of depreciation and retirements is $1,459,313, which is a 17.9% increase during the year. The increase is due to purchase of capital assets during fiscal year 2006.

Table 4
Change in Capital Assets

	FY 2006
Beginning balance	$ 8,156,981
Additions	2,720,894
Net retirements	(70,612)
Depreciation	(1,190,969)
Ending balance	$ 9,616,294

Additional information on the Agency's capital assets can be found in Note 6 on page 14 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, 2006 was $13,065,317. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2006. 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 2006 was $69,237 as compared to $68,495 in 2005. These amounts are presented in 1996 constant dollar.

Retail sales in the metro area increase to $2.87 billion for calendar year 2005 compared to $2.83 billion in calendar year 2004. Of this total, $2.4 billion was generated in Cedar Rapids.

The total value of building permits in FY 2006 was approximately $217.2 million. This compares with an amount of $173.2 for FY 2005. This amount represents an increase of 25 percent from the previous fiscal year.

Most of the rates and programs will remain the same for fiscal year 2006.

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 Cedar Rapids / Linn County Solid Waste Agency at 1954 County Home Road, Marion, IA 52302.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Net Assets
June 30, 2006

ASSETS		
Current assets:		
Cash and investments	$	24,712,487
Receivables:		
Accounts and unbilled usage, net $48,959 of allowance for doubtful accounts		447,389
Interest		280,013
Notes		744,244
Due from other governments		257,245
Inventories		39,196
Prepaid items		92,271
Total current assets		26,572,845
Noncurrent assets:		
Land		3,666,290
Buildings and structures		1,537,331
Improvements other than buildings		5,586,896
Machinery and equipment		6,728,241
Accumulated depreciation		(7,902,464)
Total noncurrent assets		9,616,294
Total assets		36,189,139
LIABILITIES		
Current liabilities:		
Vouchers payable		691,094
Accrued expenses		162,212
Revenues collected in advance		16,006
Due to other governments		218,576
Security deposits		30,000
Total current liabilities		1,117,888
Noncurrent liabilities:		
Due within one year		
Closure/post closure landfill		2,267,217
Compensated absences		108,244
Due in more than one year		
Closure/post closure landfill		10,798,100
Total noncurrent liabilities		13,173,561
Total liabilities		14,291,449
NET ASSETS		
Invested in capital assets, net of related debt		9,616,294
Restricted for:		
Closure/post closure landfill		13,373,497
Compost site closure		338,830
Unrestricted (deficit)		(1,430,931)
	$	21,897,690

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

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006

Operating revenues:		
Charges for services	$	5,218,836
Use of money and property		122,425
Rents and royalties		3,151
Miscellaneous		1,529,224
Total operating revenues		6,873,636
Operating expenses:		
Personal services		1,957,257
Purchased services		1,914,736
Supplies and materials		1,168,888
Other		688,045
Depreciation		1,190,969
Total operating expenses		6,919,895
Operating (loss)		(46,259)
Nonoperating revenues (expenses):		
Intergovernmental		153,308
Investment income		1,005,177
(Loss) on sale of assets		(27,049)
Total nonoperating revenue (expenses)		1,131,436
Change in net assets		1,085,177
Total net assets, beginning		20,812,513
Total net assets, ending	$	21,897,690

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

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	$ 7,001,380
Cash paid to employees	(1,970,150)
Cash paid to suppliers	(3,050,949)
Net cash flows from operating activities	1,980,281
Cash flows from non-capital financing activities:	
Intergovernmental	153,308
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,720,894)
Proceeds from disposition of property and equipment	43,563
Net cash flows from capital and related financing activities	(2,677,331)
Cash flows from investing activities:	
Interest on investments	725,164
Net decrease in cash and cash equivalents	181,422
Cash and cash equivalents, July 1, 2005	24,531,065
Cash and cash equivalents, June 30, 2006	$ 24,712,487
Reconciliation of operating (loss) to net cash flows from operating activities	
Operating (loss)	$ (46,259)
Adjustments to reconcile operating (loss) to net cash flows from operating activities:	
Depreciation expense	1,190,969
Change in assets and liabilities:	
(Increase) in prepaid items	(91,151)
Increase in vouchers payable	331,850
(Decrease) in compensated absences	(4,599)
(Decrease) in accrued expenses	(8,294)
Decrease in accounts receivable	220,746
(Increase) in notes receivable	(10,783)
(Increase) in inventories	(5,663)
(Increase) in due from other governments	(106,013)
Increase in due to other governments	33,809
Increase in security deposits	500
(Decrease) in revenues collected in advance	(10,515)
Increase in closure/postclosure payable	485,684
Net cash flows from operating activities	$ 1,980,281

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

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 (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.

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, 2006 was $108,244 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

Deposits. Chapter 12C of the Code of Iowa requires all Agency funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2006 the Agency's deposits are not subject to custodial credit risk.

The Agency also maintains a petty cash account. The total amount of petty cash is $600.

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 stocks are an exception for public funds investment.

As of June 30, 2006, the Agency had following investments with the following maturities:

Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years	More Than 10 Years
US Agencies	$ 1,589,290	$ 1,589,290	$ -	$ -	$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy states that aggregate price losses on instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2006, the Agency had the following ratings:

	Moody's	Standard & Poors
Investment Type:		
U.S. Agencies	AAA	AAA

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006 the Agency's investments are not subject to custodial credit risk.

Concentration of Credit Risk: The Agency's investment policy seeks diversification to reduce overall portfolio risk. The Agency's investment policy limits holding of securities by single issuer to no more than 5% of the investment portfolio. The Agency currently has 100% of investments in U.S. Agencies.

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, 2006, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2006. 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	$ 12,116,033	$ 6,420,235	$ 18,536,268
Care costs remaining to be recognized attributable to unutilized capacity	(35,136)	(2,257,719)	(2,292,855)
Liability retained by City	(3,178,096)	-	(3,178,096)
Care costs recognized attributable to utilized capacity	$ 8,902,801	$ 4,162,516	$ 13,065,317
Capacity utilized	99.71%	80.30%	
Estimated remaining life	.1 year	2.5 years	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2006. 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, 2006, balances were as follows:

Restricted for:	
Closure/post closure landfill	$ 13,373,497
Compost site closure	338,830
	$ 13,712,327

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	$ 112,843	$ 155,905	$ 160,504	$ 108,244	$ 108,244
Closure/post closure landfill	12,579,633	571,029	85,345	13,065,317	2,267,217
Long-term liabilities	$ 12,692,476	$ 726,934	$ 245,849	$ 13,173,561	$ 2,375,461

Note 5: Operating Leases

The Agency leases certain buildings and equipment under operating leases expiring at various dates through the year 2010. Minimum lease payments under noncancellable operating leases with an initial term of one year or more as of June 30, 2006, are summarized as follows:

Fiscal Year	Amount
2007	$55,730
2008	50,000
2009	50,000
2010	50,000
Total lease payments	$205,730

Note 6: Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 3,666,290	$ -	$ -	$ 3,666,290
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	3,666,290	-	-	3,666,290
Capital assets, being depreciated:				
Buildings and structures	1,225,699	367,700	(56,068)	1,537,331
Improvements other than buildings	4,292,316	2,002,065	(707,485)	5,586,896
Machinery and equipment	6,749,460	351,129	(372,348)	6,728,241
Total capital assets being depreciated	12,267,475	2,720,894	(1,135,901)	13,852,468
Less accumulated depreciation for:				
Buildings and structures	(540,460)	(52,949)	22,299	(571,110)
Improvements other than buildings	(2,488,476)	(458,185)	680,046	(2,266,615)
Machinery and equipment	(4,747,848)	(679,835)	362,944	(5,064,739)
Total accumulated depreciation	(7,776,784)	(1,190,969)	1,065,289	(7,902,464)
Total capital assets, being depreciated, net	4,490,691	1,529,925	(70,612)	5,950,004
Total capital assets, net	$ 8,156,981	$ 1,529,925	$ (70,612)	$ 9,616,294

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, 2006, 2005, and 2004 were $79,675, $84,755, and $92,576, respectively, equal to the required contributions for each year.

Note 8: Related Party Transactions

Accounts receivable at June 30, 2006 includes $98,166 and $3,976 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2006 includes $76,202 and $19,733 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: New Pronouncements

The Agency implemented the following new standards during the current fiscal year:

GASB Statement No. 42, *Accounting and Financial Reporting For Impairment of Capital Assets and for Insurance Recoveries* This Statement required governments to report the effects of capital asset impairment in their financial statements when it occurs and required all governments to account for insurance recoveries in the same manner. This Statement has no effect on the Agency in the current year.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Required Supplementary Information
Budgetary Reporting
Year ended June 30, 2006

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 Agency's Board of Directors; furthermore it is the Agency's Board of Directors 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 2006 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
$ 10,053,424	$ 288,862	$ 10,342,286	$ 9,640,789

Budgetary Basis Actual Expenditures	$ 9,640,789
Less: Capital Budgeted Expenditures	(2,720,894)
Total operating expenses	$ 6,919,895

McGladrey & Pullen
Certified Public Accountants

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

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

We have audited the financial statements of the Cedar Rapids/Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 17, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cedar Rapids/Linn County Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cedar Rapids/Linn County Solid Waste Agency'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*.

McGladrey & Pullen, LLP is a member firm of RSM International -
an affiliation of separate and independent legal entities.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 17, 2006

I. Findings Related to the Basic Financial Statements

Reportable Conditions

None

Instances of Noncompliance

None

II. Other Findings Related to Required Statutory Reporting

06-II-A

Questionable expenditures: We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as this is defined in the Attorney General's opinion dated April 25, 1979.

06-II-B

Travel expense: No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.

06-II-C

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

06-II-D

Deposits and investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City of Cedar Rapids, Iowa's investment policy.

06-II-E

Solid waste tonnage fees retained: During the year ended June 30, 2006, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

06-IE-F

Financial assurance: The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing fulfilling the corporate financial test as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care, Site #1	$	12,116,033
Total estimated costs for closure and postclosure care, Site #2		6,420,235
Less care costs remaining to be funded attributable to unutilized capacity		(1,984,675)
	$	16,551,593

Amount Agency has restricted for closure and postclosure care as of June 30, 2006	$	13,373,497
Amount City has restricted for closure and postclosure care as of June 30, 2006		3,178,096
	$	16,551,593