

**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, 2007
and
INDEPENDENT AUDITOR'S REPORT

PUBLISHED BY
FINANCE DEPARTMENT
CITY OF CEDAR RAPIDS, IOWA

CEDAR RAPIDS / LINN COUNTY SOLID WASTE AGENCY

A Component Unit of the
City of Cedar Rapids, Iowa

Table of Contents June 30, 2007

Cedar Rapids/Linn County Solid Waste Agency Board of Directors.....	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis.....	3
Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses, and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10
Required Supplementary Information – Budgetary Reporting.....	16
Independent Auditor’s Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit Accordance with Government Auditing Standards.....	17
Schedule of Findings.....	19

**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, 2007. 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 respective financial position of Cedar Rapids/Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 December 5, 2007, 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 17 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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
December 5, 2007

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, 2007.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2007 and 2006 by \$25,011,622 and \$21,897,690 respectively.
- The Agency's total assets increased by \$3,321,825 or a 9.2% growth over the prior year.

Overview of the Financial Statements

This discussion and analysis is 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 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 10-15 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, 2007 and 2006 follow:

	<u>FY 2007</u>	<u>FY 2006</u>
Cash and investments	\$ 28,670,533	\$ 24,712,487
Other assets	2,015,394	1,860,358
Capital assets	<u>8,825,037</u>	<u>9,616,294</u>
Total assets	<u>39,510,964</u>	<u>36,189,139</u>

Table 1
Net Assets (Continued)

	FY 2007	FY 2006
Other liabilities	1,441,562	1,117,888
Noncurrent liabilities	13,057,780	13,173,561
Total liabilities	<u>14,499,342</u>	<u>14,291,449</u>
Net Assets:		
Invested in capital assets, net of related debt	8,825,037	9,616,294
Restricted	14,220,865	13,712,327
Unrestricted (deficit)	1,965,720	(1,430,931)
Total net assets	<u>\$ 25,011,622</u>	<u>\$ 21,897,690</u>

Total assets increased 9.2% for fiscal year 2007. This was primarily due to an increase in the investment account balances during fiscal year 2007.

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 2007 and 2006 follow:

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

	FY 2007	FY 2006
Revenues:		
Charges for services	\$ 5,731,453	\$ 5,218,836
Use of money and property	56,638	122,425
Rents and royalties	2,292	3,151
Miscellaneous	1,372,872	1,529,224
Other nonoperating revenue		
Investment income	1,432,152	1,005,177
Intergovernmental	117,573	153,308
Gain on sale of assets	505,838	---
Total revenues	<u>9,218,818</u>	<u>8,032,121</u>
Expenses:		
Personal services	2,037,434	1,957,257
Purchased services	1,680,299	1,914,736
Supplies and materials	1,081,554	1,168,888
Other	259,452	688,045
Depreciation	1,046,147	1,190,969
Other nonoperating expense		
Loss on sale of assets	---	27,049
Total expenses	<u>6,104,886</u>	<u>6,946,944</u>

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

	<u>FY 2007</u>	<u>FY 2006</u>
Change in net assets	3,113,932	1,085,177
Total net assets, beginning	<u>21,897,690</u>	<u>20,812,513</u>
Total net assets, ending	<u>\$ 25,011,622</u>	<u>\$ 21,897,690</u>

As expected, charges for services are the primary revenue source for the Agency. This is 62% of the total revenues. Investment income accounts for an additional 15.5% 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 2007.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment decreased the budget by \$2,208,787. This 24% decrease of the entire budget was primarily due to settlement of the landfill expansion project and lower than anticipated costs for landfill closure.

Capital Assets

As of June 30, 2007, the Agency had invested \$8,825,037 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)

	<u>FY 2007</u>	<u>FY 2006</u>
Land	\$ 3,657,920	\$ 3,666,290
Buildings and structures	878,476	966,221
Improvements other than buildings	2,875,131	3,320,281
Machinery and equipment	1,085,047	1,663,502
Construction in progress	<u>328,463</u>	<u>---</u>
	<u>\$ 8,825,037</u>	<u>\$ 9,616,294</u>

The following table reconciles the change in capital assets. The amount of decrease in capital assets net of depreciation and retirements is \$791,257, which is a 8.2% decrease during the year. The decrease is due to the sale of excess capital assets during fiscal year 2007.

Table 4
Change in Capital Assets

	FY 2007
Beginning balance	\$ 9,616,294
Additions	357,854
Net retirements	(102,964)
Depreciation	(1,046,147)
Ending balance	\$ 8,825,037

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, 2007 was \$12,938,534. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2007. 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 2007 was \$68,155 as compared to \$69,237 in 2006. These amounts are presented in 1996 constant dollar.

Retail sales in the metro area increase to \$3.01 billion for calendar year 2007 compared to \$2.93 billion in calendar year 2006. Of this total, \$2.44 billion was generated in Cedar Rapids.

The total value of building permits in FY 2007 was approximately \$186.0 million. This compares with an amount of \$217 for FY 2006. This amount represents a decrease of 14 percent from the previous fiscal year.

Most of the rates and programs will remain the same for fiscal year 2007.

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, Iowa, 52302.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Net Assets
June 30, 2007

ASSETS

Current assets:

Cash and investments	\$ 28,670,533
Receivables:	
Accounts and unbilled usage, net	
\$50,727 of allowance for doubtful accounts	501,676
Interest	82,514
Notes	781,669
Due from other governments	575,898
Inventories	11,762
Prepaid items	61,875
Total current assets	<u>30,685,927</u>

Noncurrent assets:

Land	3,657,920
Buildings and structures	1,512,690
Improvements other than buildings	5,593,696
Machinery and equipment	5,053,984
Accumulated depreciation	(7,321,716)
Construction in Progress	328,463
Total noncurrent assets	<u>8,825,037</u>
Total assets	<u>39,510,964</u>

LIABILITIES

Current liabilities:

Vouchers payable	1,140,421
Accrued expenses	79,720
Revenues collected in advance	32,819
Due to other governments	163,602
Security deposits	25,000
Total current liabilities	<u>1,441,562</u>

Noncurrent liabilities:

Due within one year	
Closure/post closure landfill	3,619,748
Compensated absences	119,246
Due in more than one year	
Closure/post closure landfill	9,318,786
Total noncurrent liabilities	<u>13,057,780</u>
Total liabilities	<u>14,499,342</u>

NET ASSETS

Invested in capital assets	8,825,037
Restricted for:	
Closure/post closure landfill	13,867,673
Compost site closure	353,192
Unrestricted	1,965,720
	<u>\$ 25,011,622</u>

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
Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 5,731,453
Use of money and property	56,638
Rents and royalties	2,292
Miscellaneous	1,372,872
Total operating revenues	<u>7,163,255</u>
Operating expenses:	
Personal services	2,037,434
Purchased services	1,680,299
Supplies and materials	1,081,554
Other	259,452
Depreciation	1,046,147
Total operating expenses	<u>6,104,886</u>
Operating income	<u>1,058,369</u>
Nonoperating revenues (expenses):	
Intergovernmental	117,573
Investment income	1,432,152
Gain on sale of assets	505,838
Total nonoperating revenue (expenses)	<u>2,055,563</u>
Change in net assets	3,113,932
Total net assets, beginning	<u>21,897,690</u>
Total net assets, ending	<u>\$ 25,011,622</u>

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
Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 6,709,729
Cash paid to employees	(2,108,924)
Cash paid to suppliers	(2,640,931)
Net cash flows from operating activities	<u>1,959,874</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>117,573</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(357,854)
Proceeds from disposition of property and equipment	<u>608,802</u>
Net cash flows from capital and related financing activities	<u>250,948</u>
Cash flows from investing activities:	
Interest on investments	<u>1,629,651</u>
Net increase in cash and cash equivalents	3,958,046
Cash and cash equivalents, July 1, 2006	<u>24,712,487</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 28,670,533</u>
Reconciliation of operating (loss) to net cash flows from operating activities	
Operating Income	\$ 1,058,369
Adjustments to reconcile operating (loss) to net cash flows from operating activities:	
Depreciation expense	1,046,147
Change in assets and liabilities:	
Decrease in prepaid items	30,396
Increase in vouchers payable	449,327
Increase in compensated absences	11,002
(Decrease) in accrued expenses	(82,492)
(Increase) in accounts receivable	(54,287)
(Increase) in notes receivable	(37,425)
Decrease in inventories	27,434
(Increase) in due from other governments	(318,653)
(Decrease) in due to other governments	(54,974)
(Decrease) in security deposits	(5,000)
Increase in revenues collected in advance	16,813
(Decrease) in closure/postclosure payable	(126,783)
Net cash flows from operating activities	<u>\$ 1,959,874</u>

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
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 (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.

**Cedar Rapids / Linn County 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, 2007 was \$119,246 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, 2007 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 \$2,050.

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, 2007, 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	<u>\$ 16,637,537</u>	<u>\$ 16,637,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

**Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS**

As of June 30, 2007, 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, 2007 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, 2007, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2007. 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	\$ 9,714,280	\$ 6,580,743	\$ 16,295,023
Care costs remaining to be recognized			
attributable to unutilized capacity	---	(1,392,696)	(1,392,696)
Liability retained by City	(1,963,793)	-	(1,963,793)
Care costs recognized attributable to			
utilized capacity	\$ 7,750,487	\$ 5,188,047	\$ 12,938,534
Capacity utilized	100.00%	88.14%	
Estimated remaining life	0 years	1.4 years	

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

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2007. 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, 2007, balances were as follows:

Restricted for:

Closure/post closure landfill #1	\$ 9,714,281
Closure/post closure landfill #2	4,153,392
Compost site closure	353,192
	<u>\$ 14,220,865</u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 108,244	\$ 163,677	\$ 152,675	\$ 119,246	\$ 119,246
Closure/post closure landfill	13,065,317	233,789	360,572	12,938,534	3,619,748
Long-term liabilities	<u>\$ 13,173,561</u>	<u>\$ 397,466</u>	<u>\$ 513,247</u>	<u>\$ 13,057,780</u>	<u>\$ 3,738,994</u>

Note 5: Operating Leases

The Agency leases equipment under operating leases through the year 2011. Minimum lease payments under noncancellable operating leases with an initial term of one year or more as of June 30, 2007, are summarized as follows:

Fiscal Year	Amount
2008	\$50,000
2009	50,000
2010	50,000
2011	<u>50,000</u>
Total lease payments	<u>\$200,000</u>

**Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS**

Note 6: Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,666,290	\$ -	\$ (8,370)	\$ 3,657,920
Construction in progress	-	328,463	-	328,463
Total capital assets, not being depreciated	<u>3,666,290</u>	<u>328,463</u>	<u>(8,370)</u>	<u>3,986,383</u>
Capital assets, being depreciated:				
Buildings	1,537,331	-	(24,641)	1,512,690
Improvements other than buildings	5,586,896	6,800	-	5,593,696
Machinery and equipment	6,728,241	22,591	(1,696,848)	5,053,984
Total capital assets being depreciated	<u>13,852,468</u>	<u>29,391</u>	<u>(1,721,489)</u>	<u>12,160,370</u>
Less accumulated depreciation for:				
Buildings	(571,110)	(69,264)	6,160	(634,214)
Improvements other than buildings	(2,266,615)	(451,950)	-	(2,718,565)
Machinery and equipment	(5,064,739)	(524,933)	1,620,735	(3,968,937)
Total accumulated depreciation	<u>(7,902,464)</u>	<u>(1,046,147)</u>	<u>1,626,895</u>	<u>(7,321,716)</u>
Total capital assets, being depreciated, net	<u>5,950,004</u>	<u>(1,016,756)</u>	<u>(94,594)</u>	<u>4,838,656</u>
Total capital assets, net	<u>\$ 9,616,294</u>	<u>\$ (688,293)</u>	<u>\$ (102,964)</u>	<u>\$ 8,825,037</u>

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, 2007, 2006, and 2005 were \$80,259, \$79,675, and \$84,755, respectively, equal to the required contributions for each year.

Note 8: Related Party Transactions

Accounts receivable at June 30, 2007 includes \$94,569 and \$4,829 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2007 includes \$9,509 and \$15,109 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.

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

Note 10: Subsequent Events

Cedar Rapids/Linn County Solid Waste Agency (CRLCSWA) Commercial Paper

Subsequent to year-end, on July 26, 2007, the CRLCSWA purchased an investment in Rhinebridge, PLC commercial paper. CRLCSWA has a cost basis of \$5,921,250 (\$6,000,000 par) in Rhinebridge PLC commercial paper that failed to pay at maturity (10/24/07) due to illiquidity in the financial markets as an effect of the subprime mortgage crisis. A receiver and manager has been appointed of all the undertakings, property and assets and is working to determine the market value of Rhinebridge PLC's assets. It is unknown at this time as to the final settlement amount of this investment.

Note 11: New Pronouncements

The Governmental Accounting Standards Board has issued the following statements not yet implemented by the Agency:

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the Agency beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Agency beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and

cleanups. This standard requires the Agency to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the Agency beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Agency beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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

**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, 2007**

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 2007 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 9,299,564	\$ (2,208,792)	\$ 7,090,772	\$ 6,462,740
			Budgetary Basis Actual Expenditures
			\$ 6,462,740
			Less: Capital Budgeted Expenditures
			(357,854)
			\$ 6,104,886