

**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, 2008
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

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**CEDAR RAPIDS / LINN COUNTY
SOLID WASTE AGENCY**

Board of Directors

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Kay Halloran

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Sam Shea

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Karmin McShane
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, 2008. 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, 2008, 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 January 7, 2009, 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 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
January 7, 2009

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, 2008.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2008 and 2007 by \$24,186,250 and \$25,011,622, respectively.
- The Agency's total assets increased by \$1,099,447 or a 2.8% 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 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, 2008 and 2007 follow:

	<u>FY 2008</u>	<u>FY 2007</u>
Cash and investments	\$ 22,235,537	\$ 28,670,533
Other assets	3,163,909	2,015,394
Capital assets	<u>15,210,965</u>	<u>8,825,037</u>
Total assets	<u>40,610,411</u>	<u>39,510,964</u>

Table 1
Net Assets (Continued)

	FY 2008	FY 2007
Other liabilities	2,110,228	1,441,562
Noncurrent liabilities	14,313,933	13,057,780
Total liabilities	<u>16,424,161</u>	<u>14,499,342</u>
Net Assets:		
Invested in capital assets, net of related debt	15,210,965	8,825,037
Restricted	15,576,091	14,220,865
Unrestricted (deficit)	(6,600,806)	1,965,720
Total net assets	<u>\$ 24,186,250</u>	<u>\$ 25,011,622</u>

Total assets increased 2.8% for fiscal year 2008. This was primarily due to an increase in the capital asset account balances during fiscal year 2008.

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 2008 and 2007 follow:

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

	FY 2008	FY 2007
Revenues:		
Charges for services	\$ 7,626,712	\$ 5,731,453
Use of money and property	54,172	56,638
Rents and royalties	27,500	2,292
Miscellaneous	1,586,535	1,372,872
Other nonoperating revenue		
Investment income	---	1,432,152
Intergovernmental	32,558	117,573
Gain on sale of assets	---	505,838
Total revenues	<u>9,324,477</u>	<u>9,218,818</u>
Expenses:		
Personal services	2,093,929	2,037,434
Purchased services	1,669,235	1,680,299
Supplies and materials	1,176,621	1,081,554
Other	2,647,418	259,452
Depreciation	940,796	1,046,147
Other nonoperating expense		
Investment loss	1,624,850	---
Total expenses	<u>10,152,849</u>	<u>6,104,886</u>

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

	<u>FY 2008</u>	<u>FY 2007</u>
Change in net assets	(825,372)	3,113,932
Total net assets, beginning	<u>25,011,622</u>	<u>21,897,690</u>
Total net assets, ending	<u>\$ 24,186,250</u>	<u>\$ 25,011,622</u>

As expected, charges for services are the primary revenue source for the Agency. This is 82% 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 2008. On July 26, 2007, the Agency invested in \$6 million, at a discount of \$5.9 million in Rhinebridge LLC commercial paper. On October 24, 2007, the commercial paper matured and was not paid due to illiquidity in the financial markets as an effect of the subprime mortgage crisis. The Agency recognized a \$2.6 million loss on investment in FY 2008.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment decreased the budget by \$2,335,660. This 13% decrease of the entire budget was primarily due to lower than budgeted costs for the phase 1 landfill expansion project.

Capital Assets

As of June 30, 2008, the Agency had invested \$15,210,965 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 2008</u>	<u>FY 2007</u>
Land	\$ 3,657,920	\$ 3,657,920
Buildings and structures	1,577,361	878,476
Improvements other than buildings	2,430,738	2,875,131
Machinery and equipment	1,683,594	1,085,047
Construction in progress	<u>5,861,352</u>	<u>328,463</u>
	<u>\$ 15,210,965</u>	<u>\$ 8,825,037</u>

The following table reconciles the change in capital assets. The amount of increase in capital assets net of depreciation and retirements is \$6,385,928, which is a 72.4% increase during the year. The increase is due to the phase 1 landfill expansion project during fiscal year 2008.

Table 4
Change in Capital Assets

	FY 2008
Beginning balance	\$ 8,825,037
Additions	7,326,724
Depreciation	(940,796)
Ending balance	\$ 15,210,965

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. The Agency's liability as of June 30, 2008 was \$14,206,197. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2008. 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 2008 was \$69,349 as compared to \$68,155 in 2007. These amounts are presented in 1996 constant dollar.

Retail sales in the metro area increase to \$3.36 billion for calendar year 2008 compared to \$3.01 billion in calendar year 2007. Of this total, \$2.57 billion was generated in Cedar Rapids.

The total value of building permits in FY 2008 was approximately \$296.0 million. This compares with an amount of \$186 for FY 2007. This amount represents an increase of 59.13 percent from the previous fiscal year.

Most of the rates and programs will remain the same for fiscal year 2008.

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 finance,s 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, 2008

ASSETS

Current assets:

Cash and investments	\$ 22,235,537
Receivables:	
Accounts and unbilled usage, net	
\$50,449 of allowance for doubtful accounts	1,266,202
Interest	93,465
Notes	821,015
Due from other governments	902,423
Prepaid items	80,804
Total current assets	<u>25,399,446</u>

Noncurrent assets:

Land	3,657,920
Buildings and structures	2,294,792
Improvements other than buildings	5,161,242
Machinery and equipment	5,583,628
Accumulated depreciation	(7,347,969)
Construction in Progress	5,861,352
Total noncurrent assets	<u>15,210,965</u>
Total assets	<u>40,610,411</u>

LIABILITIES

Current liabilities:

Vouchers payable	1,718,392
Accrued expenses	80,996
Revenues collected in advance	33,202
Due to other governments	243,638
Security deposits	34,000
Total current liabilities	<u>2,110,228</u>

Noncurrent liabilities:

Due within one year	
Closure/post closure landfill	993,713
Compensated absences	107,736
Due in more than one year	
Closure/post closure landfill	13,212,484
Total noncurrent liabilities	<u>14,313,933</u>
Total liabilities	<u>16,424,161</u>

NET ASSETS

Invested in capital assets	15,210,965
Restricted for:	
Closure/post closure landfill	15,151,091
Compost site closure	425,000
Unrestricted	(6,600,806)
	<u>\$ 24,186,250</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
For the Year Ended June 30, 2008

Operating revenues:	
Charges for services	\$ 7,626,712
Use of money and property	54,172
Rents and royalties	27,500
Miscellaneous	1,586,535
Total operating revenues	<u>9,294,919</u>
Operating expenses:	
Personal services	2,093,929
Purchased services	1,669,235
Supplies and materials	1,176,621
Other	2,647,418
Depreciation	940,796
Total operating expenses	<u>8,527,999</u>
Operating income	<u>766,920</u>
Nonoperating revenues (expenses):	
Intergovernmental	32,558
Investment (loss)	(1,624,850)
Total nonoperating revenue (expenses)	<u>(1,592,292)</u>
Change in net assets	(825,372)
Total net assets, beginning	<u>25,011,622</u>
Total net assets, ending	<u>\$ 24,186,250</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
For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from users	\$ 8,253,941
Cash paid to employees	(2,104,163)
Cash paid to suppliers	(3,654,807)
Net cash flows from operating activities	<u>2,494,971</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>32,558</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(7,326,724)</u>
Cash flows from investing activities:	
Realized loss on investments	(2,639,392)
Interest on investments	<u>1,003,591</u>
Net increase in cash and cash equivalents	(6,434,996)
Cash and cash equivalents, July 1, 2007	28,670,533
Cash and cash equivalents, June 30, 2008	<u>\$ 22,235,537</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating Income	\$ 766,920
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	940,796
Change in assets and liabilities:	
(Increase) in prepaid items	(18,929)
Increase in vouchers payable	577,971
(Decrease) in compensated absences	(11,510)
Increase in accrued expenses	1,276
(Increase) in accounts receivable	(764,526)
(Increase) in notes receivable	(39,346)
Decrease in inventories	11,762
(Increase) in due from other governments	(326,525)
Increase in due to other governments	80,036
Increase in security deposits	9,000
Increase in revenues collected in advance	383
Increase in closure/postclosure payable	1,267,663
Net cash flows from operating activities	<u>\$ 2,494,971</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.

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, 2008 was \$107,736 and is due within one year.

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

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, 2008 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 \$4,769.

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, 2008, 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
Commercial Paper	\$ 2,430,608	\$ 2,430,608	\$ -	\$ -	\$ -

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, 2008, the Agency had the following ratings:

	Moody's	Standard & Poors
Investment Type:		
Commercial Paper	Not rated	Not rated

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, 2008 the Agency's investments are not exposed 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 commercial paper.

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. The Agency's liability as of June 30, 2008, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2008. 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	\$ 9,476,146	\$ 6,453,883	\$ 15,930,029
Care costs remaining to be recognized attributable to unutilized capacity	---	(1,723,832)	(1,723,832)
Care costs recognized attributable to utilized capacity	\$ 9,476,146	\$ 4,730,051	\$ 14,206,197
Capacity utilized	100.00%	73.29%	
Estimated remaining life	0 years	4.0 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, 2008. 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, 2008, balances were as follows:

Restricted for:

Closure/post closure landfill #1	\$ 9,476,146
Closure/post closure landfill #2	5,674,945
Compost site closure	<u>425,000</u>
	<u>\$ 15,576,091</u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 119,246	\$ 170,531	\$ 182,041	\$ 107,736	\$ 107,736
Closure/post closure landfill	<u>12,938,534</u>	<u>4,241,163</u>	<u>2,973,500</u>	<u>14,206,197</u>	<u>993,713</u>
Long-term liabilities	<u>\$ 13,057,780</u>	<u>\$ 4,411,694</u>	<u>\$ 3,155,541</u>	<u>\$ 14,313,933</u>	<u>\$ 1,101,449</u>

Note 5: Operating Leases

The Agency leases certain buildings and equipment under operating leases expiring at various dates through the year 2012. Minimum lease payments under noncancellable operating leases with an initial term of one year or more as of June 30, 2008, are summarized as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$52,000
2010	52,000
2011	52,000
2012	<u>52,000</u>
Total lease payments	<u>\$208,000</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	\$ 3,657,920	\$ -	\$ -	\$ 3,657,920
Construction in progress	328,463	5,532,889	-	5,861,352
Total capital assets, not being depreciated	<u>3,986,383</u>	<u>5,532,889</u>	<u>-</u>	<u>9,519,272</u>
Capital assets, being depreciated:				
Buildings and structures	1,512,690	782,102	-	2,294,792
Improvements other than buildings	5,593,696	-	(432,454)	5,161,242
Machinery and equipment	5,053,984	1,011,733	(482,089)	5,583,628
Total capital assets being depreciated	<u>12,160,370</u>	<u>1,793,835</u>	<u>(914,543)</u>	<u>13,039,662</u>
Less accumulated depreciation for:				
Buildings and structures	(634,214)	(83,217)	-	(717,431)
Improvements other than buildings	(2,718,565)	(444,393)	432,454	(2,730,504)
Machinery and equipment	(3,968,937)	(413,186)	482,089	(3,900,034)
Total accumulated depreciation	<u>(7,321,716)</u>	<u>(940,796)</u>	<u>914,543</u>	<u>(7,347,969)</u>
Total capital assets, being depreciated, net	<u>4,838,654</u>	<u>853,039</u>	<u>-</u>	<u>5,691,693</u>
Total capital assets, net	<u>\$ 8,825,037</u>	<u>\$ 6,385,928</u>	<u>\$ -</u>	<u>\$ 15,210,965</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 3.90% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$83,328, \$80,259, and \$79,675, respectively, equal to the required contributions for each year.

Note 8: Related Party Transactions

Accounts receivable at June 30, 2008 includes \$842,540 and \$1,015 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2008 includes \$62,284 and \$10,964 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: New Pronouncements

As of June 30, 2008, the GASB has issued the following statements not yet implemented by the Agency. The statements which might impact the Agency are as follows:

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. 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.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the Agency beginning with its year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Agency beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The Agency's management has not yet determined the effect these statements will have on the Agency's 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, 2008**

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 2008 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 17,780,731	\$ (2,335,660)	\$ 15,445,071	\$ 15,854,723
			Budgetary Basis Actual Expenditures
			\$ 15,854,723
			Less: Capital Budgeted Expenditures
			(7,326,724)
			\$ 8,527,999

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, 2008, and have issued our report thereon dated January 7, 2009. 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 Cedar Rapids/Linn County Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cedar Rapids/Linn County Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cedar Rapids/Linn County Solid Waste Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2008 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
January 7, 2009

Cedar Rapids/Linn County Solid Waste Agency

Schedule of Findings and Responses Year Ended June 30, 2008

I. Findings Related to the Basic Financial Statements

Significant Deficiencies

None

Instances of Noncompliance

None

II. Other Findings Related to Required Statutory Reporting

08-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.

08-II-B

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

08-II-C

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

08-II-D

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

08-II-E

Solid waste tonnage fees retained: During the year ended June 30, 2008, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

08-II-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(5) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care, Site #1	\$	9,476,146
Total estimated costs for closure and postclosure care, Site #2		6,453,883
Less care costs remaining to be funded attributable to unutilized capacity		(1,723,832)
	\$	<u>14,206,197</u>
Amount Agency has restricted for closure and postclosure care as of June 30, 2008	\$	15,151,091
Amount City has restricted for closure and postclosure care as of June 30, 2008		-
	\$	<u>15,151,091</u>