

**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, 2012  
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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June 30, 2012

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

**Board of Directors**

Chair  
Ben Rogers

Patrick Ball

Ron Corbett

Mark English

Mark Jones

Charlie Kress

Brent Oleson

Justin Shields

Chuck Swore

Karmin McShane  
Executive Director



## Independent Auditor's Report

To the Board of Directors  
Cedar Rapids/Linn County Solid Waste Agency  
City of Cedar Rapids, Iowa  
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, 2012. 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 the Cedar Rapids/Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa as of June 30, 2012 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 20, 2012 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary budget schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Davenport, Iowa  
December 20, 2012

## 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, 2012.

### Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2012 and 2011 by \$46,035,010 and \$40,939,245, respectively.
- The Agency's total assets increased by \$5,486,288 or a 8.5% growth over the prior year.

### Overview of the Financial Statements

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

Basic financial statements – The basic financial statements are designed to provide readers with a broad overview of 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 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 11-16 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, 2012 and 2011 follow:

Table 1  
Net Assets

	FY 2012	FY 2011
Cash and investments	\$ 44,761,936	\$ 40,849,901
Other assets	4,405,722	3,509,666
Capital assets	21,265,325	20,587,128
Total assets	70,432,983	64,946,695

Table 1  
Net Assets (Continued)

	FY 2012	FY 2011
Other liabilities	1,528,726	1,024,341
Noncurrent liabilities	22,869,247	22,983,109
Total liabilities	<u>24,397,973</u>	<u>24,007,450</u>
Net Assets:		
Invested in capital assets, net of related debt	21,265,325	20,587,128
Unrestricted (deficit)	24,769,685	20,352,117
Total net assets	<u>\$ 46,035,010</u>	<u>\$ 40,939,245</u>

Total assets increased 8.5% for fiscal year 2012. The increase in total assets is primarily due to an increase in cash and investments resulting from revenue exceeding total expenses in the current year.

**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 2012 and 2011 follow:

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

	FY 2012	FY 2011
Revenues:		
Charges for services	\$ 10,311,786	\$ 17,587,093
Use of money and property	71,512	28,823
Rents and royalties	29,200	29,200
Other	2,069,320	1,832,413
Other nonoperating revenue		
Intergovernmental	89,695	96,087
Investment income	159,550	2,488,348
Gain (loss) on sale of capital assets	2,043	-
Total revenues	<u>12,733,106</u>	<u>22,061,964</u>
Expenses:		
Personal services	2,607,158	2,512,808
Purchased services	1,971,198	2,240,438
Supplies and materials	1,295,727	1,220,230
Other	352,828	3,967,388
Depreciation	1,410,430	1,365,201
Total expenses	<u>7,637,341</u>	<u>11,306,065</u>

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

	FY 2012	FY 2011
Change in net assets	5,095,765	10,755,899
Total net assets, beginning	40,939,245	30,183,346
Total net assets, ending	\$ 46,035,010	\$ 40,939,245

As expected, charges for services are the primary revenue source for the Agency. This is 81% of the total revenues. There was a decrease in charges for services from the prior year due to decrease in customers using the landfill in fiscal year 2012.

**Budgetary Highlights**

The Agency had one budget amendment during the fiscal year as is common practice. This amendment decreased the budget by \$9,193,818. This 46% decrease of the entire budget was primarily due to delays in capital expenditure projects.

**Capital Assets**

As of June 30, 2012, the Agency had invested \$21,265,325 in capital assets as are reflected in the following table. This investment includes land, buildings and structures, improvements other than buildings, machinery and equipment, and construction in progress.

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

	FY 2012	FY 2011
Land	\$ 3,808,070	\$ 3,657,920
Buildings and structures	1,223,501	1,318,428
Improvements other than buildings	12,824,297	13,501,971
Machinery and equipment	2,164,521	1,885,578
Construction in progress	1,244,936	223,231
	\$ 21,265,325	\$ 20,587,128

The following table reconciles the change in capital assets. The amount of increase in capital assets net of depreciation and retirements is \$678,197 which is a 3.3% increase during the year. The increase is due to capital construction projects in progress during fiscal year 2012.

Table 4  
Change in Capital Assets

		FY 2011
Beginning balance	\$	20,587,128
Additions		2,088,627
Depreciation		(1,410,430)
Ending balance	\$	21,265,325

Additional information on the Agency’s capital assets can be found in Note 5 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, 2012 was \$22,738,496. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Additional information on the Agency’s long-term obligation can be found in Note 3 on page 13 of this report.

**Economic Factors**

The Cedar Rapids MSA mean household income in 2012 was \$98,964 as compared to \$94,884 in 2011. These amounts are presented in 1996 constant dollar.

The total value of building permits in FY 2012 was approximately \$346.6 million. This compares with an amount of \$243.8 million for FY 2011. This amount represents an increase of 42.2 percent from the previous fiscal year mainly due to more home and commercial repairs and remodels related to the 2008 flood being completed in FY 2012.

Most of the rates and programs will remain the same for fiscal year 2013.

**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, 2012**

ASSETS

Current assets:

Cash and investments	\$	22,891,736
Receivables:		
Accounts and unbilled usage, net		1,728,906
\$46,747 of allowance for doubtful accounts		39,899
Interest		1,319,014
Due from other governments		317,903
Prepaid items		<u>26,297,458</u>
Total current assets		<u>26,297,458</u>

Noncurrent assets:

Restricted cash and investments		21,870,200
Due from other governments		1,000,000
Land		3,808,070
Buildings and structures		2,338,696
Improvements other than buildings		18,107,322
Machinery and equipment		7,811,092
Accumulated depreciation		(12,044,791)
Construction in progress		1,244,936
Total noncurrent assets		<u>44,135,525</u>
Total assets		<u>70,432,983</u>

LIABILITIES

Current liabilities:

Vouchers payable		1,055,582
Accrued expenses		125,332
Unearned revenue		11,562
Due to other governments		273,750
Security deposits		62,500
Total current liabilities		<u>1,528,726</u>

Noncurrent liabilities:

Due within one year		
Closure/post closure landfill		3,487,379
Compensated absences		130,751
Due in more than one year		
Closure/post closure landfill		19,251,117
Total noncurrent liabilities		<u>22,869,247</u>
Total liabilities		<u>24,397,973</u>

NET ASSETS

Invested in capital assets		21,265,325
Unrestricted		24,769,685
		<u>\$ 46,035,010</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, 2012**

Operating revenues:	
Charges for services	\$ 10,311,786
Use of money and property	71,512
Rents and royalties	29,200
Other	<u>2,069,320</u>
Total operating revenues	<u>12,481,818</u>
Operating expenses:	
Personal services	2,607,158
Purchased services	1,971,198
Supplies and materials	1,295,727
Other	352,828
Depreciation	<u>1,410,430</u>
Total operating expenses	<u>7,637,341</u>
Operating income	<u>4,844,477</u>
Nonoperating revenues:	
Intergovernmental	89,695
Investment income	159,550
Gain on sale of capital assets	<u>2,043</u>
Total nonoperating revenue	<u>251,288</u>
Change in net assets	5,095,765
Total net assets, beginning	<u>40,939,245</u>
Total net assets, ending	<u>\$ 46,035,010</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, 2012**

Cash flows from operating activities:	
Cash received from users	\$ 11,805,147
Cash paid to employees	(2,532,192)
Cash paid to suppliers	(3,510,833)
Net cash flows from operating activities	<u>5,762,122</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>89,695</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,088,627)
Proceeds from disposition of capital assets	2,043
Net cash flows from capital and related financing activities	<u>(2,086,584)</u>
Cash flows from investing activities:	
Interest on investments	<u>146,802</u>
Net increase in cash and cash equivalents	
Cash and cash equivalents, July 1, 2011	3,912,035
Cash and cash equivalents, June 30, 2012	<u>40,849,901</u>
	<u>\$ 44,761,936</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating Income	\$ 4,844,477
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	1,410,430
Change in assets and liabilities:	
(Increase) in prepaid items	(216,305)
Increase in vouchers payable	459,851
Increase in compensated absences	20,764
Increase in accrued expenses	54,202
(Increase) in accounts receivable	(916,119)
Decrease in notes receivable	234,186
Decrease in due from other governments	14,930
(Decrease) in due to other governments	(21,790)
Increase in security deposits	11,000
Increase in revenues collected in advance	1,122
(Decrease) in closure/postclosure payable	(134,626)
Net cash flows from operating activities	<u>\$ 5,762,122</u>

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 discretely presented 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 (FASB) guidance issued on or before November 30, 1989, (the GASB jurisdiction determination date) which do not conflict with or contradict GASB pronouncements. The Agency has elected not to apply FASB guidance subsequent to November 30, 1989.

**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**—Charges for services and other revenues are recognized upon the receipt and acceptance of nonhazardous industrial and municipal waste at the Agency’s solid waste landfills. Other revenues includes revenue sharing profit with City Carton, DNR retainage, composted materials, scrap metals, waste tires, and other miscellaneous revenue generating waste accepted by the Agency. Intergovernmental revenue is recognized when the Agency has done everything necessary to establish its right to revenue.

**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 are deposit accounts.

Investments are stated at fair value or amortized cost. 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. Investments held in external investment pools are valued at amortized cost of purchase pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**Customer Accounts**—Accounts receivable are recorded at the time of the receipt of the waste. Receivables are net of an allowance for uncollectible determined by management by identifying troubled accounts and by historical experience applied to an aging of accounts.

**Vacation and Sick Leave**—Agency employees accumulate vacation and sick leave hours for subsequent use or for payment annually and/or upon termination, death, or retirement. Vacation and sick leave accrued as of June 30, 2012 was \$130,751 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:

Landfill	25 years
Vehicles	5 to 7 years
Buildings	20 years
Other equipment	5 to 15 years

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

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

**Note 2: Cash and Investments**

Chapter 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, 2012, the Agency’s deposits consist of cash deposits, certificates of deposit and treasury bills and are entirely insured by federal depository insurance or insured by the state through pooled collateral, state sinking funds, and by the state’s ability to assess for lost funds.

The Agency also maintains a petty cash account. The total amount of petty cash is \$2,638.

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.

*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. The Agency held \$10,998,242 in U.S. Treasury Bills as of June 30, 2012, all of which mature within less than one year.

*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.

*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. The Agency held no investments in the current year subject to custodial credit risk.

*Concentration of Credit Risk:* The Agency places no limit on the amount the Agency may invest in any one issuer. The Agency held no investments in the current year subject to concentration of credit risk.

**Note 3: Closure and Postclosure Care Costs**

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

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

The Agency is liable for all closure and postclosure care costs at the two landfill sites. The Agency's liability as of June 30, 2012, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2012. 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	\$ 12,892,925	\$ 11,346,746	\$ 24,239,671
Care costs remaining to be recognized attributable to unutilized capacity	-	(1,501,175)	(1,501,175)
Care costs recognized attributable to utilized capacity	<u>\$ 12,892,925</u>	<u>\$ 9,845,571</u>	<u>\$ 22,738,496</u>
Capacity utilized	<u>100.00%</u>	<u>86.77%</u>	
Estimated remaining life	<u>0 years</u>	<u>2.4 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2012. 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, 2012 balances were as follows:

Restricted cash and investments for:	
Closure/post closure landfill #1	\$ 12,925,051
Closure/post closure landfill #2	8,570,149
Compost site closure	375,000
	<u>\$ 21,870,200</u>

**Note 4: Long-Term Liabilities**

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 109,987	\$ 194,304	\$ 173,540	\$ 130,751	\$ 130,751
Closure/post closure landfill	22,873,122	819,000	953,626	22,738,496	3,487,379
Long-term liabilities	<u>\$ 22,983,109</u>	<u>\$ 1,013,304</u>	<u>\$ 1,127,166</u>	<u>\$ 22,869,247</u>	<u>\$ 3,618,130</u>

**Note 5: Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,657,920	\$ 150,150	\$ -	\$ 3,808,070
Construction in progress	223,231	1,021,705	-	1,244,936
Total capital assets, not being depreciated	<u>3,881,151</u>	<u>1,171,855</u>	<u>-</u>	<u>5,053,006</u>
Capital assets, being depreciated:				
Buildings and structures	2,332,996	5,700	-	2,338,696
Improvements other than buildings	18,107,322	-	-	18,107,322
Machinery and equipment	7,316,836	911,072	(416,816)	7,811,092
Total capital assets being depreciated	<u>27,757,154</u>	<u>916,772</u>	<u>(416,816)</u>	<u>28,257,110</u>
Less accumulated depreciation for:				
Buildings and structures	(1,014,568)	(100,627)	-	(1,115,195)
Improvements other than buildings	(4,605,351)	(677,674)	-	(5,283,025)
Machinery and equipment	(5,431,258)	(632,129)	416,816	(5,646,571)
Total accumulated depreciation	<u>(11,051,177)</u>	<u>(1,410,430)</u>	<u>416,816</u>	<u>(12,044,791)</u>
Total capital assets, being depreciated, net	<u>16,705,977</u>	<u>(493,658)</u>	<u>-</u>	<u>16,212,319</u>
Total capital assets, net	<u>\$ 20,587,128</u>	<u>\$ 678,197</u>	<u>\$ -</u>	<u>\$ 21,265,325</u>

**Note 6: 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 5.38% of their annual covered salary and the Agency is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$134,464, \$111,755, and \$105,989, respectively, equal to the required contributions for each year.

**Note 7: Related Party Transactions**

Accounts receivable at June 30, 2012 includes \$202,464 and \$1,010,902 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2012 includes \$46,702 and \$2,180 due to the City of Cedar Rapids, Iowa and Linn County, respectively. Revenue received for the year ended June 30, 2012 from the City of Cedar Rapids, Iowa and Linn County was \$1,184,184 and \$29,358, respectively while expenses paid were \$662,034 and \$147,407, respectively.

**Note 8: 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. In addition, the Agency pays premiums to the City of Cedar Rapids, Iowa for employee health and dental insurance through the City's self-insurance plan. Premiums paid to the City in fiscal year 2012 for health and dental insurance were \$577,351. There were no additional premiums owed to the City for past claims as of June 30, 2012.

**Note 9: Major Customers**

Sales to one customer amounted to approximately \$2,415,848 and comprised 19.38% of the Agency's operating revenues for the year ended June 30, 2012.

**Note 10: New Pronouncements**

As of June 30, 2012, the GASB had issued several statements not yet implemented by the Agency. The Statements which might impact the Agency are as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Agency beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Agency beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Agency beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's

financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the Agency beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the Agency beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Agency beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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 2012 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 20,025,145	\$ (9,193,818)	\$ 10,831,327	\$ 9,725,968
Budgetary Basis Actual Expenditures			\$ 9,725,968
Less: Capital Budgeted Expenditures			(2,088,627)
Total operating expenses			\$ 7,637,341

**Cedar Rapids/Linn County Solid Waste Agency, Iowa**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2012**

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Comment	Comment	Status
Number		

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**Findings Related to Basic Financial Statements:**

**Significant Deficiency:**

11-I-A	Inadequate segregation of duties over cash receipts	Uncorrected
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**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  
City of Cedar Rapids, Iowa  
Cedar Rapids, Iowa

We have audited the 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, 2012, and have issued our report thereon dated December 20, 2012. 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**

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 previously. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 12-I-A that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, 2012 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 interpretation of those statutes.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, the City of Cedar Rapids and Linn County, Iowa and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey LLP*

Davenport, Iowa  
December 20, 2012

I. Findings Related to the Basic Financial Statements

A. Significant Deficiencies

**12-I-A**

Finding: The Agency has inadequate segregation of duties over cash receipts.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Condition: The Accounting Manager has access to cash receipts, posts payments to the accounts receivable system and writes off the bad debt accounts.

Effect: Misappropriations of assets could occur and not be detected in a timely manner.

Cause: A limited number of personnel are available in the Agency office.

Recommendation: We recommend an individual independent of the process opens the mail and lists the cash receipts received. This list should then be compared to the postings to the accounts receivable system by this same individual.

Response and corrective action plan: The Agency recognizes the importance of good internal controls and adequate segregation of duties. The Agency also recognizes the potential risks when an inadequate segregation of duties exists due primarily to the limited number of office personnel. Subsequent to year-end the Agency hired an individual who will be part of the cash receipts process, including opening the mail and preparing the deposit slip.

B. Instances of Noncompliance

None reported.

II. Other Findings Related to Required Statutory Reporting

**12-IV-A**

Questionable expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.

**12-IV-B**

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

**12-IV-C**

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

**12-IV-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.

Cedar Rapids/Linn County Solid Waste Agency

Schedule of Findings and Responses

**Year Ended June 30, 2012**

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**12-IV-E**

Solid waste tonnage fees retained: During the year ended June 30, 2012, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**12-IV-F**

Financial assurance: The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care, Site #1	\$	12,892,925
Total estimated costs for closure and postclosure care, Site #2		11,346,746
Less care costs remaining to be funded attributable to unutilized capacity		(1,501,175)
	\$	<u>22,738,496</u>
Amount Agency has restricted for closure and postclosure care as of June 30, 2012	\$	21,870,200
Amount City has restricted for closure and postclosure care as of June 30, 2012		-
	\$	<u>21,870,200</u>