

**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, 2013
and
INDEPENDENT AUDITOR'S REPORT

PUBLISHED BY
FINANCE DEPARTMENT
CITY OF CEDAR RAPIDS, IOWA

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

A Component Unit of the
City of Cedar Rapids, Iowa

Table of Contents
June 30, 2013

Cedar Rapids/Linn County Solid Waste Agency Board of Directors.....	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis.....	4
Financial Statements:	
Statement of Net Position.....	8
Statement of Revenues, Expenses, and Changes in Net Position.....	9
Statement of Cash Flows.....	10
Notes to Financial Statements.....	11
Supplementary Information – Budgetary Reporting.....	16
Summary Schedule of Prior Audit Findings.....	17
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.....	18
Schedule of Findings and Responses.....	20

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

Board of Directors

Chair
Justin Shields

Ben Rogers

Steve Hershner

Ron Corbett

Mark English

Mark Jones

Charlie Kress

Brent Oleson

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

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the Cedar Rapids/Linn County Solid Waste Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

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.

The supplementary budget schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the Agency's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

McGladrey LLP

Davenport, Iowa
December 20, 2013

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, 2013.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net position) as of June 30, 2013 and 2012 by \$44,313,742 and \$46,685,010, respectively.
- The Agency's total assets decreased by \$853,812 or 1.2% from 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 position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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 position 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 11-15 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 Position

Condensed versions of the Statements of Net Position as of June 30, 2013 and 2012 follow:

	FY 2013	FY 2012
Cash and investments	\$ 32,511,799	\$ 44,761,936
Other assets	1,544,581	4,438,222
Capital assets	36,172,791	21,882,825
Total assets	<u>70,229,171</u>	<u>71,082,983</u>

Table 1
Net Assets (Continued)

	FY 2013	FY 2012
Other liabilities	4,179,485	1,528,726
Noncurrent liabilities	21,735,944	22,869,247
Total liabilities	<u>25,915,429</u>	<u>24,397,973</u>
Net Position:		
Net investment in capital assets	36,172,791	21,882,825
Unrestricted (deficit)	8,140,951	24,802,185
Total net position	<u>\$ 44,313,742</u>	<u>\$ 46,685,010</u>

Total assets decreased 1.2% for fiscal year 2013. The decrease in total assets is primarily due to a decrease in cash and investments resulting from total expenses exceeding total revenues in the current year.

Statement of Revenues, Expenses, and Changes in Net Position

A summary version of the Statement of Revenues, Expenses, and Changes in Net Position for the years ending 2013 and 2012 follow:

Table 2
Statement of Revenues, Expenses, and Changes in Net Position

	FY 2013	FY 2012
Revenues:		
Charges for services	\$ 7,404,965	\$ 10,311,786
Use of money and property	65,201	71,512
Rents and royalties	11,475	29,200
Other	1,562,198	2,069,320
Other nonoperating revenue		
Intergovernmental	204,995	739,695
Investment income	89,770	159,550
Gain (loss) on sale of capital assets	(2,106)	2,043
Total revenues	<u>9,336,498</u>	<u>13,383,106</u>
Expenses:		
Personal services	2,839,159	2,607,158
Purchased services	1,935,639	1,971,198
Supplies and materials	1,253,333	1,295,727
Other	4,200,484	352,828
Depreciation	1,479,151	1,410,430
Total expenses	<u>11,707,766</u>	<u>7,637,341</u>

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

	FY 2013	FY 2012
Change in net position	(2,371,268)	5,745,765
Total net position, beginning	46,685,010	40,939,245
Total net position, ending	\$ 44,313,742	\$ 46,685,010

As expected, charges for services are the primary revenue source for the Agency. This is 79% 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 2013.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment increased the budget by \$1,700,980. This 5.7% increase of the entire budget was primarily due to a lawsuit settlement.

Capital Assets

As of June 30, 2013, the Agency had invested \$36,172,791 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 2013	FY 2012
Land	\$ 3,808,070	\$ 3,808,070
Buildings and structures	1,124,880	1,223,501
Improvements other than buildings	14,803,223	12,824,297
Machinery and equipment	2,140,860	2,164,521
Construction in progress	14,295,758	1,862,436
	\$ 36,172,791	\$ 21,882,825

The following table reconciles the change in capital assets. The amount of increase in capital assets net of depreciation and retirements is \$14,289,966 which is a 65.3% increase during the year. The increase is due to capital construction projects in progress during fiscal year 2013.

Table 4
Change in Capital Assets

	FY 2013
Beginning balance	\$ 21,882,825
Additions	15,771,223
Net retirements	(2,106)
Depreciation	(1,479,151)
Ending balance	\$ 36,172,791

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, 2013 was \$21,593,598. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2013. 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 2013 was \$57,222 as compared to \$55,874 in 2012. These amounts are presented in 1996 constant dollar.

The total value of building permits in FY 2013 was approximately \$280.3 million. This compares with an amount of \$346.6 million for FY 2012. This amount represents a decrease of 19.1 percent from the previous fiscal year mainly due to FY 2012 being unusually high relating 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 2014.

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 Position
June 30, 2013

ASSETS

Current assets:

Cash and investments	\$	9,889,165
Receivables:		
Accounts and unbilled usage, net		1,181,573
\$46,137 of allowance for doubtful accounts		24,060
Interest		187,531
Due from other governments		151,417
Prepaid items		<u>11,433,746</u>
Total current assets		<u>11,433,746</u>

Noncurrent assets:

Restricted cash and investments		22,622,634
Land		3,808,070
Buildings and structures		2,308,958
Improvements other than buildings		20,767,333
Machinery and equipment		8,280,438
Accumulated depreciation		(13,287,766)
Construction in progress		<u>14,295,758</u>
Total noncurrent assets		<u>58,795,425</u>
Total assets		<u>70,229,171</u>

LIABILITIES

Current liabilities:

Vouchers payable		3,752,025
Accrued expenses		27,121
Unearned revenue		11,562
Due to other governments		322,777
Security deposits		66,000
Total current liabilities		<u>4,179,485</u>

Noncurrent liabilities:

Due within one year		
Closure/post closure landfill		1,934,196
Compensated absences		142,346
Due in more than one year		
Closure/post closure landfill		<u>19,659,402</u>
Total noncurrent liabilities		<u>21,735,944</u>
Total liabilities		<u>25,915,429</u>

NET POSITION

Net investment in capital assets		36,172,791
Unrestricted		8,140,951
		<u>\$ 44,313,742</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 Position
Year Ended June 30, 2013

Operating revenues:	
Charges for services	\$ 7,404,965
Use of money and property	65,201
Rents and royalties	11,475
Other	1,562,198
Total operating revenues	<u>9,043,839</u>
Operating expenses:	
Personal services	2,839,159
Purchased services	1,935,639
Supplies and materials	1,253,333
Other	1,172,538
Depreciation	1,479,151
Total operating expenses	<u>8,679,820</u>
Operating income	<u>364,019</u>
Nonoperating revenues:	
Intergovernmental	204,995
Investment income	89,770
(Loss) on sale of capital assets	(2,106)
Other	(3,027,946)
Total nonoperating revenue	<u>(2,735,287)</u>
Change in net position	(2,371,268)
Total net position, beginning	<u>46,685,010</u>
Total net position, ending	<u>\$ 44,313,742</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, 2013**

Cash flows from operating activities:	
Cash received from users	\$ 11,807,682
Cash paid to employees	(2,925,775)
Cash paid to suppliers	<u>(5,671,425)</u>
Net cash flows from operating activities	<u>3,210,482</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>204,995</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(15,771,223)</u>
Cash flows from investing activities:	
Interest on investments	<u>105,609</u>
Net increase in cash and cash equivalents	(12,250,137)
Cash and cash equivalents, July 1, 2012	44,761,936
Cash and cash equivalents, June 30, 2013	<u>\$ 32,511,799</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating Income	\$ 364,019
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	1,479,151
Loss on legal settlement	(3,027,946)
Change in assets and liabilities:	
Decrease in prepaid items	166,486
Increase in vouchers payable	2,696,443
Increase in compensated absences	11,595
(Decrease) in accrued expenses	(98,211)
Decrease in accounts receivable	547,333
Decrease in due from other governments	2,163,983
Increase in due to other governments	49,027
Increase in security deposits	3,500
(Decrease) in closure/postclosure payable	<u>(1,144,898)</u>
Net cash flows from operating activities	<u>\$ 3,210,482</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 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 adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the current year. The adoption of these statement changes the presentation of the basic financial statements to a statement of net position format.

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 Position.

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.

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

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, 2013 was \$142,346 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 Position—Net position represents the difference between assets and liabilities. Net investment in capital assets, 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 position is 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 position is 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, 2013, 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 \$2,337.

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.

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

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, 2013, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

	<u>Former City Landfill</u>	<u>Former County Landfill</u>	<u>Total</u>
Total care costs	\$ 10,496,674	\$ 11,684,663	\$ 22,181,337
Care costs remaining to be recognized attributable to unutilized capacity	-	(587,739)	(587,739)
Care costs recognized attributable to utilized capacity	<u>\$ 10,496,674</u>	<u>\$ 11,096,924</u>	<u>\$ 21,593,598</u>
Capacity utilized	<u>100.00%</u>	<u>94.97%</u>	
Estimated remaining life	<u>0 years</u>	<u>.9 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2013. 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, 2013 balances were as follows:

Restricted cash and investments for:	
Closure/post closure landfill #1	\$ 12,925,051
Closure/post closure landfill #2	9,322,583
Compost site closure	375,000
	<u>\$ 22,622,634</u>

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

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 130,751	\$ 214,878	\$ (203,283)	\$ 142,346	\$ 142,346
Closure/post closure landfill	22,738,496	429,706	(1,574,604)	21,593,598	1,934,196
Long-term liabilities	<u>\$ 22,869,247</u>	<u>\$ 644,584</u>	<u>\$ (1,777,887)</u>	<u>\$ 21,735,944</u>	<u>\$ 2,076,542</u>

Note 5: Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,808,070	\$ -	\$ -	\$ 3,808,070
Construction in progress	1,862,436	15,009,069	(2,575,747)	14,295,758
Total capital assets, not being depreciated	<u>5,670,506</u>	<u>15,009,069</u>	<u>(2,575,747)</u>	<u>18,103,828</u>
Capital assets, being depreciated:				
Buildings and structures	2,338,696	-	(29,738)	2,308,958
Improvements other than buildings	18,107,322	2,660,011	-	20,767,333
Machinery and equipment	7,811,092	677,890	(208,544)	8,280,438
Total capital assets being depreciated	<u>28,257,110</u>	<u>3,337,901</u>	<u>(238,282)</u>	<u>31,356,729</u>
Less accumulated depreciation for:				
Buildings and structures	(1,115,195)	(96,515)	27,632	(1,184,078)
Improvements other than buildings	(5,283,025)	(681,085)	-	(5,964,110)
Machinery and equipment	(5,646,571)	(701,551)	208,544	(6,139,578)
Total accumulated depreciation	<u>(12,044,791)</u>	<u>(1,479,151)</u>	<u>236,176</u>	<u>(13,287,766)</u>
Total capital assets, being depreciated, net	<u>16,212,319</u>	<u>1,858,750</u>	<u>(2,106)</u>	<u>18,068,963</u>
Total capital assets, net	<u>\$ 21,882,825</u>	<u>\$ 16,867,819</u>	<u>\$ (2,577,853)</u>	<u>\$ 36,172,791</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 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$158,150, \$134,464, and \$111,755, respectively, equal to the required contributions for each year.

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

Note 7: Related Party Transactions

Accounts receivable at June 30, 2013 includes \$150,175 and \$8,544 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2013 includes \$95,738 and \$749 due to the City of Cedar Rapids, Iowa and Linn County, respectively. Revenue received for the year ended June 30, 2013 from the City of Cedar Rapids, Iowa and Linn County was \$1,155,543 and \$24,103, respectively while expenses paid were \$791,806 and \$10,401, 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 2013 for health and dental insurance were \$625,868. There were no additional premiums owed to the City for past claims as of June 30, 2013.

Note 9: Major Customers

The Agency had sales to two customers that amounted to approximately \$2,022,185 and comprised 22.36% of the Agency's operating revenues for the year ended June 30, 2013.

Note 10: Commitments and Contingencies

As of June 30, 2013, the Agency was involved in construction projects with an estimated cost to complete the construction projects of approximately \$6,960,000.

Note 11: New Pronouncements

As of June 30, 2013, the GASB had issued several statements not yet implemented by the Agency. The Statement which might impact the Agency is as follows:

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.

**Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Supplementary Information
Budgetary Reporting
Year ended June 30, 2013**

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 2013 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 29,868,153	\$ 1,700,980	\$ 31,569,133	\$ 28,096,489
Budgetary Basis Actual Expenditures			\$ 28,096,489
Less: Capital Budgeted Expenditures			(16,388,723)
Total operating expenses			\$ 11,707,766

Cedar Rapids/Linn County Solid Waste Agency, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

Comment Number	Comment	Status
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**Findings Related to the Financial Statement Audit as Reported in Accordance With
Generally Accepted *Government Auditing Standards***

Material Weaknesses in Internal Control Over Financial Reporting:

12-II-A	Inadequate segregation of duties over cash receipts.	Corrected
12-II-B	The Agency received \$650,000 in federal funds passed through the Iowa Economic Development Authority that was not recognized as revenue nor included on the Agency's Schedule of Expenditures of Federal Awards (SEFA).	Corrected

Findings and Questioned Costs for Federal Awards

Material Weaknesses in Internal Control Over Federal Awards:

12-III-A	The SEFA was materially misstated, which resulted in CFDA 81.041 not being identified and tested as a major program in the June 30, 2012 OMB Circular A-133 audit.	Corrected
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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**

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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Cedar Rapids/Linn County Solid Waste Agency's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cedar Rapids/Linn County Solid Waste Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Rapids/Linn County Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedar Rapids/Linn County Solid Waste Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Rapids/Linn County Solid Waste Agency's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "McGladrey LLP".

Davenport, Iowa
December 20, 2013

Cedar Rapids/Linn County Solid Waste Agency

**Schedule of Findings and Responses
Year Ended June 30, 2013**

I. Findings Related to the Basic Financial Statements

A. Internal Control

None reported

B. Instances of Noncompliance

None reported

II. Other Findings Related to Required Statutory Reporting

II-A-13

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.

II-B-13

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

II-C-13

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

II-D-13

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.

II-E-13

Solid waste tonnage fees retained: During the year ended June 30, 2013, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

II-F-13

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	\$	10,496,674
Total estimated costs for closure and postclosure care, Site #2		11,684,663
Less care costs remaining to be funded attributable to unutilized capacity		(587,739)
	\$	<u>21,593,598</u>
Amount Agency has restricted for closure and postclosure care as of June 30, 2013	\$	21,593,598
Amount City has restricted for closure and postclosure care as of June 30, 2013		-
	\$	<u>21,593,598</u>