

**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, 2014  
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, 2014

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

**Board of Directors**

Chair  
Brent Oleson

Ben Rogers

Justin Shields

Mark Jones

Ralph Russell

Steve Hershner

Ron Corbett

Mark English

Charlie Kress

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 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, 2014, and the related notes to the financial statements, which collectively comprise the 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 Agency'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 Agency'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.

## **Opinions**

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, 2014, and the respective changes in financial position and, where applicable, 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 financial statements that collectively comprise the Cedar Rapids/Linn County Solid Waste Agency's 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 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 budget schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary budget schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 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 Agency's internal control over financial reporting and compliance.

*McGladrey LLP*

Davenport, Iowa  
December 22, 2014

## 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, 2014.

### Financial Highlights

- The assets of the Agency exceeded its liabilities (net position) as of June 30, 2014 and 2013 by \$46,049,819 and \$44,313,742, respectively.
- The Agency's total assets decreased by \$4,508,373 or 6.4% 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, 2014 and 2013 follow:

	FY 2014	FY 2013
Cash and investments	\$ 23,284,595	\$ 32,511,799
Other assets	1,187,441	1,544,581
Capital assets	41,248,762	36,172,791
Total assets	65,720,798	70,229,171

Table 1  
Net Assets (Continued)

	FY 2014	FY 2013
Other liabilities	1,463,718	4,179,485
Noncurrent liabilities	18,207,261	21,735,944
Total liabilities	<u>19,670,979</u>	<u>25,915,429</u>
Net Position:		
Investment in capital assets	41,248,762	36,172,791
Unrestricted (deficit)	4,801,057	8,140,951
Total net position	<u>\$ 46,049,819</u>	<u>\$ 44,313,742</u>

Total assets decreased 6.4% for fiscal year 2014. The decrease in total assets is primarily due to a decrease in cash and investments resulting from the reduction in current liabilities.

### 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 2014 and 2013 follow:

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

	FY 2014	FY 2013
Revenues:		
Charges for services	\$ 6,621,334	\$ 7,404,965
Use of money and property	29,419	65,201
Rents and royalties	11,819	11,475
Other	1,544,286	1,562,198
Other nonoperating revenue		
Intergovernmental	192,231	204,995
Investment income	67,868	89,770
Gain (loss) on sale of capital assets	(101,081)	(2,106)
Total revenues	<u>8,365,876</u>	<u>9,336,498</u>
Expenses:		
Personal services	2,817,570	2,839,159
Purchased services	2,108,972	1,935,639
Supplies and materials	1,350,741	1,253,333
Closure and postclosure care	(1,963,483)	(157,094)
Other	206,487	4,357,578
Depreciation	2,109,512	1,479,151
Total expenses	<u>6,629,799</u>	<u>11,707,766</u>

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

	FY 2014	FY 2013
Change in net position	1,736,077	(2,371,268)
Total net position, beginning	44,313,742	46,685,010
Total net position, ending	\$ 46,049,819	\$ 44,313,742

As expected, charges for services are the primary revenue source for the Agency. This is 79.3% 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 2014.

**Budgetary Highlights**

The Agency had one budget amendment during the fiscal year as is common practice. This amendment increased the budget by \$3,541,172. This 32.3% increase of the entire budget was primarily due to delays in capital expenditures budgeted from the previous year.

**Capital Assets**

As of June 30, 2014, the Agency had invested \$41,248,762 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 2014	FY 2013
Land	\$ 5,872,991	\$ 3,808,070
Buildings and structures	11,049,341	1,124,880
Improvements other than buildings	22,202,768	14,803,223
Machinery and equipment	2,114,952	2,140,860
Construction in progress	8,710	14,295,758
	\$ 41,248,762	\$ 36,172,791

The following table reconciles the change in capital assets. The amount of increase in capital assets net of depreciation and retirements is \$5,075,971 which is a 14.0% increase during the year. The increase is due to capital construction projects during fiscal year 2014.

Table 4  
Change in Capital Assets

	FY 2014
Beginning balance	\$ 36,172,791
Additions	7,346,864
Net retirements	(161,381)
Depreciation	(2,109,512)
Ending balance	\$ 41,248,762

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, 2014 was \$18,072,728. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2014. 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 2014 was \$57,520 as compared to \$57,222 in 2013. These amounts are presented in 1996 constant dollar.

The total value of building permits in FY 2014 was approximately \$231.0 million. This compares with an amount of \$280.3 million for FY 2013. Although this amount represents a decrease of 17.6 percent from the previous fiscal year, \$231.0 million still represents one of the higher years of total value of building permits in the last ten years.

Most of the rates and programs will remain the same for fiscal year 2015.

**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, 2014**

**ASSETS**

Current assets:

Cash and investments	\$ 3,386,567
Receivables:	
Accounts and unbilled usage, net	640,031
\$50,807 of allowance for doubtful accounts	19,767
Interest	406,015
Due from other governments	121,628
Prepaid items	4,574,008
Total current assets	4,574,008

Noncurrent assets:

Restricted cash and investments	19,898,028
Land	5,872,991
Buildings and structures	12,187,286
Improvements other than buildings	29,298,921
Machinery and equipment	7,933,176
Accumulated depreciation	(14,052,322)
Construction in progress	8,710
Total noncurrent assets	61,146,790
Total assets	65,720,798

**LIABILITIES**

Current liabilities:

Vouchers payable	1,075,498
Accrued expenses	29,098
Unearned revenue	11,562
Due to other governments	278,960
Security deposits	68,600
Total current liabilities	1,463,718

Noncurrent liabilities:

Due within one year	
Closure/post closure landfill	332,519
Compensated absences	134,533
Due in more than one year	
Closure/post closure landfill	17,740,209
Total noncurrent liabilities	18,207,261
Total liabilities	19,670,979

**NET POSITION**

Investment in capital assets	41,248,762
Unrestricted	4,801,057
	\$ 46,049,819

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, 2014**

Operating revenues:	
Charges for services	\$ 6,621,334
Use of money and property	29,419
Rents and royalties	11,819
Other	1,544,286
Total operating revenues	8,206,858
Operating expenses:	
Personal services	2,817,570
Purchased services	2,108,972
Supplies and materials	1,350,741
Closure and postclosure care	(1,963,483)
Other	206,487
Depreciation	2,109,512
Total operating expenses	6,629,799
Operating income	1,577,059
Nonoperating revenues (expenses):	
Intergovernmental	192,231
Investment income	67,868
(Loss) on sale of capital assets	(101,081)
Total nonoperating revenue	159,018
Change in net position	1,736,077
Total net position, beginning	44,313,742
Total net position, ending	\$ 46,049,819

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, 2014**

Cash flows from operating activities:	
Cash received from users	\$ 8,488,699
Cash paid to employees	(2,823,406)
Cash paid to suppliers	(7,870,325)
Net cash used in operating activities	<u>(2,205,032)</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>192,231</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,346,864)
Proceeds from disposition of capital assets	60,300
Net cash used in capital and related financing activities	<u>(7,286,564)</u>
Cash flows from investing activities:	
Interest on investments	<u>72,161</u>
Net increase in cash and cash equivalents	
Cash and cash equivalents, July 1, 2013	(9,227,204)
Cash and cash equivalents, June 30, 2014	<u>32,511,799</u>
	<u>\$ 23,284,595</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating Income	\$ 1,577,059
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	2,109,512
Change in assets and liabilities:	
Decrease in accounts receivable	541,542
(Increase) in due from other governments	(218,484)
(Decrease) in due to other governments	(43,817)
Decrease in prepaid items	29,789
(Decrease) in vouchers payable	(2,676,527)
(Decrease) in compensated absences	(7,813)
Increase in accrued expenses	1,977
Increase in security deposits	2,600
(Decrease) in closure/postclosure payable	(3,520,870)
Net cash flows used in operating activities	<u>\$ (2,205,032)</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**

**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 include revenue sharing profit with City Carton, DNR retainage, composted materials, scrap metals, waste tires, and other miscellaneous revenue from 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 investments with maturities of less than a year of when purchased to be cash equivalents.

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 accounts determined by management by identifying troubled accounts and by historical experience applied to an aging of accounts.

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

**Vacation and Sick Leave**—Agency employees 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, 2014 was \$134,533 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

**Prepaid items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position.

**Due from other governments**—Due from other governments represents reimbursements from other governments for state grants and landfill fees.

**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. 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, 2014, the Agency’s deposits consist of cash deposits and certificates of deposit and treasury bills and are not exposed to custodial credit risk because they 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 \$2,574.

**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.

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

*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.

*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..

**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, 2014, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2014. 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	\$ 8,134,037	\$ 14,306,450	\$ 22,440,487
Care costs remaining to be recognized attributable to unutilized capacity	-	(4,367,759)	(4,367,759)
Care costs recognized attributable to utilized capacity	<u>\$ 8,134,037</u>	<u>\$ 9,938,691</u>	<u>\$ 18,072,728</u>
Capacity utilized	<u>100.00%</u>	<u>69.47%</u>	
Estimated remaining life	<u>0 years</u>	<u>8.9 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2014. 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, 2014 balances were as follows:

Restricted cash and investments for:	
Closure/post closure landfill #1	\$ 8,012,139
Closure/post closure landfill #2	11,510,889
Compost site closure	375,000
	<u>\$ 19,898,028</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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 142,346	\$ 219,986	\$ (227,799)	\$ 134,533	\$ 134,533
Closure/post closure landfill	21,593,598	6,726	(3,527,596)	18,072,728	332,519
Long-term liabilities	<u>\$ 21,735,944</u>	<u>\$ 226,712</u>	<u>\$ (3,755,395)</u>	<u>\$ 18,207,261</u>	<u>\$ 467,052</u>

**Note 5: Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,808,070	\$ 2,064,921	\$ -	\$ 5,872,991
Construction in progress	14,295,758	5,836,794	(20,123,842)	8,710
Total capital assets, not being depreciated	<u>18,103,828</u>	<u>7,901,715</u>	<u>(20,123,842)</u>	<u>5,881,701</u>
Capital assets, being depreciated:				
Buildings and structures	2,308,958	10,431,729	(553,401)	12,187,286
Improvements other than buildings	20,767,333	8,531,588	-	29,298,921
Machinery and equipment	8,280,438	605,674	(952,936)	7,933,176
Total capital assets being depreciated	<u>31,356,729</u>	<u>19,568,991</u>	<u>(1,506,337)</u>	<u>49,419,383</u>
Less accumulated depreciation for:				
Buildings and structures	(1,184,078)	(357,602)	403,735	(1,137,945)
Improvements other than buildings	(5,964,110)	(1,132,043)	-	(7,096,153)
Machinery and equipment	(6,139,578)	(619,867)	941,221	(5,818,224)
Total accumulated depreciation	<u>(13,287,766)</u>	<u>(2,109,512)</u>	<u>1,344,956</u>	<u>(14,052,322)</u>
Total capital assets, being depreciated, net	<u>18,068,963</u>	<u>17,459,479</u>	<u>(161,381)</u>	<u>35,367,061</u>
Total capital assets, net	<u>\$ 36,172,791</u>	<u>\$ 25,361,194</u>	<u>\$(20,285,223)</u>	<u>\$ 41,248,762</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 5.95% of their annual covered salary and the Agency is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$165,709, \$158,150 and \$134,464, 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, 2014 includes \$255,189 and \$7,403 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2014 includes \$86,240 and \$1,913 due to the City of Cedar Rapids, Iowa and Linn County, respectively. Revenue received for the year ended June 30, 2014 from the City of Cedar Rapids, Iowa and Linn County was \$1,178,853 and \$19,186, respectively while expenses paid were \$735,225 and \$10,469, 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 2014 for health and dental insurance were \$542,939. There were no additional premiums owed to the City for past claims as of June 30, 2014.

**Note 9: Major Customers**

The Agency had sales to two customers that amounted to approximately \$2,046,772 and comprised 25.5% of the Agency's operating revenues for the year ended June 30, 2014.

**Note 10: Commitments and Contingencies**

As of June 30, 2014, the Agency was involved in a construction project with an estimated cost to complete the construction projects of approximately \$290,000.

**Note 11: New Pronouncements**

As of June 30, 2014, 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, issued November 2013, will be effective for the Agency beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in government's first year of implementing GASB Statement No. 68, *Accounting and Financial Report for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amount of all other deferred outflows of resources and deferred inflows of resources related to pensions.

Management of the Agency is currently evaluating the effect of these statements on the Agency's financial statements.

**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, 2014**

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 2014 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 10,964,990	\$ 3,541,172	\$ 14,506,162	\$ 13,976,663
Budgetary Basis Actual Expenditures			\$ 13,976,663
Less: Capital Budgeted Expenditures			(7,346,864)
Total operating expenses			\$ 6,629,799

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

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2014**

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Comment	Comment	Status
Number	Comment	Status

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

None



**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 (Agency), a component unit of the of Cedar Rapids, Iowa, as of and for the year ended June 30, 2014, 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 22, 2014.

**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 Agency'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*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **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 Agency'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.

*McGladrey LLP*

Davenport, Iowa  
December 22, 2014

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

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**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-14**

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-14**

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

**II-C-14**

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

**II-D-14**

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-14**

Solid waste tonnage fees retained: During the year ended June 30, 2014, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**II-F-14**

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	\$	8,134,037
Total estimated costs for closure and postclosure care, Site #2		14,306,450
Less care costs remaining to be funded attributable to unutilized capacity		(4,367,759)
	\$	<u>18,072,728</u>
Amount Agency has restricted for closure and postclosure care as of June 30, 2014	\$	19,898,028
Amount City has restricted for closure and postclosure care as of June 30, 2014		-
	\$	<u>19,898,028</u>