

**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, 2015
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, 2015

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

Board of Directors

Chair
Ralph Russell

Ben Rogers

Brent Oleson

Charlie Kress

Justin Shields

Mark English

Mark Jones

Steve Hershner

Susie Weinacht

Karmin McShane
Executive Director



RSM US LLP

Independent Auditor's Report

To the Board of Directors
Cedar Rapids/Linn County Solid Waste Agency and
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, 2015, 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.

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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, 2015, 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.

Emphasis of Matter

As explained in Note 10 to the basic financial statements, the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which restated the Agency's beginning net position, net pension liability and deferred outflows of resources.

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 and the Iowa Public Employees' Retirement System (IPERS) Schedule of the Agency's Proportionate Share of Net Pension Liability and Schedule of Agency Contributions on pages 21 – 23 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 Introductory Section 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 28, 2015 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.

RSM US LLP

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, 2015.

Financial Highlights

- The total net position of \$46,049,819 as of June 30, 2014 was restated to be \$44,638,118 due to the implementation of GASB Statement No. 68 and 71. The details of the restatement are shown in Note 6 to the financial statements.
- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources (net position) as of June 30, 2015 and 2014 by \$45,434,389 and \$44,638,118, respectively.
- The Agency's total assets decreased by \$197,599 or 0.3% 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, deferred outflows of resources, liabilities and deferred inflows of resources and liabilities, with the difference 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 11-21 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, 2015 and 2014 follow:

	FY 2015 (as restated)	FY 2014 (not restated)
Cash and investments	\$ 25,276,048	\$ 23,284,595
Other assets	1,180,137	1,187,441
Capital assets	39,067,014	41,248,762
Total assets	<u>65,523,199</u>	<u>65,720,798</u>
Deferred outflows of resources	<u>211,656</u>	<u>-</u>
Other liabilities	1,384,736	1,463,718
Noncurrent liabilities	18,486,394	18,207,261
Total liabilities	<u>19,871,130</u>	<u>19,670,979</u>
Deferred inflows of resources	<u>429,336</u>	<u>-</u>
Net Position:		
Investment in capital assets	39,067,014	41,248,762
Unrestricted	6,367,375	4,801,057
Total net position	<u>\$ 45,434,389</u>	<u>\$ 46,049,819</u>

Total assets decreased 0.3% for fiscal year 2015. The decrease in total assets is primarily due to the current year depreciation of capital assets.

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 2015 and 2014 follow:

	FY 2015 (as restated)	FY 2014 (not restated)
Revenues:		
Charges for services	\$ 6,835,621	\$ 6,621,334
Use of money and property	24,344	29,419
Rents and royalties	12,174	11,819
Other	2,045,562	1,544,286
Other nonoperating revenue		
Intergovernmental	108,898	192,231
Investment income	82,111	67,868
Gain (loss) on sale of capital assets	35,155	(101,081)
Total revenues	<u>9,143,865</u>	<u>8,365,876</u>

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

	FY 2015 (as restated)	FY 2014 (not restated)
Expenses:		
Personal services	2,533,676	2,817,570
Purchased services	2,192,060	2,108,972
Supplies and materials	1,039,123	1,350,741
Closure and postclosure care	(25,644)	(1,963,483)
Other	216,056	206,487
Depreciation	2,392,323	2,109,512
Total expenses	8,347,594	6,629,799
Change in net position	796,271	1,736,077
Total net position, beginning	44,638,118	44,313,742
Total net position, ending	\$ 45,434,389	\$ 46,049,819

As expected, charges for services are the primary revenue source for the Agency. This is 74.8% of the total revenues. There was a increase in charges for services from the prior year due to increase in customers using the landfill in fiscal year 2015.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment decreased the budget by \$3,125,793. This 25.7% decrease of the entire budget was primarily due to delays in capital expenditures budgeted from the previous year.

Capital Assets

As of June 30, 2015, the Agency had invested \$39,067,014 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 2015	FY 2014
Land	\$ 5,872,991	\$ 5,872,991
Buildings and structures	10,491,467	11,049,341
Improvements other than buildings	21,083,400	22,202,768
Machinery and equipment	1,610,446	2,114,952
Construction in progress	8,710	8,710
	\$ 39,067,014	\$ 41,248,762

The following table reconciles the change in capital assets. The amount of decrease in capital assets net of depreciation and retirements is \$2,181,748 which is a 5.3% decrease during the year. The decrease is due to current year depreciation recorded during fiscal year 2015.

Table 4
Change in Capital Assets

		FY 2015
Beginning balance	\$	41,248,762
Additions		210,575
Net retirements		-
Depreciation		(2,392,323)
Ending balance	\$	39,067,014

Additional information on the Agency’s capital assets can be found in Note 5 on page 15 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, 2015 was \$17,719,818. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2015. 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 pages 13 and 14 of this report.

Economic Factors

The Cedar Rapids MSA mean household income in 2015 was \$57,746 as compared to \$57,520 in 2014. These amounts are presented in 1996 constant dollar.

The total value of building permits in FY 2015 was approximately \$237.4 million. This compares with an amount of \$231.0 million for FY 2014.

Most of the rates and programs will remain the same for fiscal year 2016.

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, 2015

ASSETS

Current assets:

Cash and investments	\$	5,186,574
Receivables:		
Accounts and unbilled usage, net		757,697
\$47,797 of allowance for doubtful accounts		23,569
Interest		228,957
Due from other governments		169,914
Prepaid items		<u>6,366,711</u>
Total current assets		<u>6,366,711</u>

Noncurrent assets:

Restricted cash and investments		20,089,474
Land		5,872,991
Buildings and structures		12,215,634
Improvements other than buildings		29,394,289
Machinery and equipment		6,847,186
Accumulated depreciation		(15,271,796)
Construction in progress		8,710
Total noncurrent assets		<u>59,156,488</u>
Total assets		<u>65,523,199</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflows		<u>213,751</u>
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LIABILITIES

Current liabilities:

Vouchers payable		515,614
Accrued expenses		29,139
Unearned revenue		12,162
Due to other governments		260,485
Security deposits		76,600
Closure/post closure landfill		359,192
Compensated absences		131,544
Total current liabilities		<u>1,384,736</u>

Noncurrent liabilities:

Closure/post closure landfill		17,360,626
Net pension liability		1,125,768
Total noncurrent liabilities		<u>18,486,394</u>
Total liabilities		<u>19,871,130</u>

DEFERRED INFLOWS OF RESOURCES

Pension related deferred inflows		<u>431,431</u>
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NET POSITION

Investment in capital assets		39,067,014
Unrestricted		6,367,375
		<u>\$ 45,434,389</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, 2015

Operating revenues:	
Charges for services	\$ 6,835,621
Use of money and property	24,344
Rents and royalties	12,174
Other	<u>2,045,562</u>
Total operating revenues	<u>8,917,701</u>
Operating expenses:	
Personal services	2,533,676
Purchased services	2,192,060
Supplies and materials	1,039,123
Closure and postclosure care	(25,644)
Other	216,056
Depreciation	<u>2,392,323</u>
Total operating expenses	<u>8,347,594</u>
Operating income	<u>570,107</u>
Nonoperating revenues:	
Intergovernmental	108,898
Investment income	82,111
Gain on sale of capital assets	<u>35,155</u>
Total nonoperating revenue	<u>226,164</u>
Change in net position	796,271
Total net position, beginning, as restated	<u>44,638,118</u>
Total net position, ending	<u>\$ 45,434,389</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, 2015**

Cash flows from operating activities:	
Cash received from users	\$ 8,967,218
Cash paid to employees	(2,604,877)
Cash paid to suppliers	(4,382,675)
Net cash flows provided by operating activities	1,979,666
Cash flows from non-capital financing activities:	
Intergovernmental	108,898
Cash flows from capital and related financing activities:	
Purchase of capital assets	(210,575)
Proceeds from disposition of capital assets	35,155
Net cash (used in) capital and related financing activities	(175,420)
Cash flows from investing activities:	
Interest on investments	78,309
Net increase in cash and cash equivalents	
Cash and cash equivalents, July 1, 2014	1,991,453
Cash and cash equivalents, June 30, 2015	23,284,595
Cash and cash equivalents, June 30, 2015	\$ 25,276,048
Reconciliation of operating income to net cash flows from operating activities	
Operating Income	\$ 570,107
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	2,392,323
Change in assets and liabilities:	
(Increase) in accounts receivable	(117,666)
Decrease in due from other governments	177,058
(Decrease) in due to other governments	(18,475)
(Increase) in prepaid items	(48,286)
(Decrease) in vouchers payable	(559,884)
(Decrease) in compensated absences	(2,989)
Increase in accrued expenses	41
Increase in security deposits	8,000
Increase in unearned revenue	600
(Increase) in pension deferred outflows	(47,879)
Increase in pension deferred inflows	431,431
Increase in net pension liability	(451,805)
(Decrease) in closure/postclosure payable	(352,910)
Net cash flows provided by operating activities	\$ 1,979,666

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 financial statements of the Agency are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (statements and interpretations), constitutes GAAP for governmental units.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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 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.

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 accounts 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, 2015 was \$131,544 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, deferred outflows of resources, liabilities and deferred inflows of resources. 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.

Deferred Outflows of Resources—Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Net Pension Liability—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources—In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments and the changes in proportion and differences between Agency contributions and proportionate share of contributions.

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

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, 2015, 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 \$2,501.

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.

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, 2015, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

	Former City Landfill	Former County Landfill	Total
Total care costs	\$ 7,772,224	\$ 14,704,500	\$ 22,476,724
Care costs remaining to be recognized attributable to unutilized capacity	-	(4,756,906)	(4,756,906)
Care costs recognized attributable to utilized capacity	<u>\$ 7,772,224</u>	<u>\$ 9,947,594</u>	<u>\$ 17,719,818</u>
Capacity utilized	<u>100.00%</u>	<u>67.65%</u>	
Estimated remaining life	<u>0 years</u>	<u>9.1 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2015. 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, 2015 balances were as follows:

Restricted cash and investments for:

Closure/post closure landfill #1	\$ 7,902,231
Closure/post closure landfill #2	11,812,243
Compost site closure	375,000
	<u>\$ 20,089,474</u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 134,533	\$ 185,459	\$ (188,448)	\$ 131,544	\$ 131,544
Closure/post closure landfill	18,072,728	-	(352,910)	17,719,818	359,192
Long-term liabilities	<u>\$ 18,207,261</u>	<u>\$ 185,459</u>	<u>\$ (541,358)</u>	<u>\$ 17,851,362</u>	<u>\$ 490,736</u>

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

Note 5: Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,872,991	\$ -	\$ -	\$ 5,872,991
Construction in progress	8,710	-	-	8,710
Total capital assets, not being depreciated	<u>5,881,701</u>	<u>-</u>	<u>-</u>	<u>5,881,701</u>
Capital assets, being depreciated:				
Buildings and structures	12,187,286	28,348	-	12,215,634
Improvements other than buildings	29,298,921	109,468	(14,100)	29,394,289
Machinery and equipment	7,933,176	72,759	(1,158,749)	6,847,186
Total capital assets being depreciated	<u>49,419,383</u>	<u>210,575</u>	<u>(1,172,849)</u>	<u>48,457,109</u>
Less accumulated depreciation for:				
Buildings and structures	(1,137,945)	(586,221)	-	(1,724,166)
Improvements other than buildings	(7,096,153)	(1,228,836)	14,100	(8,310,889)
Machinery and equipment	(5,818,224)	(577,266)	1,158,749	(5,236,741)
Total accumulated depreciation	<u>(14,052,322)</u>	<u>(2,392,323)</u>	<u>1,172,849</u>	<u>(15,271,796)</u>
Total capital assets, being depreciated, net	<u>35,367,061</u>	<u>(2,181,748)</u>	<u>-</u>	<u>33,185,313</u>
Total capital assets, net	<u>\$ 41,248,762</u>	<u>\$ (2,181,748)</u>	<u>\$ -</u>	<u>\$ 39,067,014</u>

Note 6: Iowa Public Employees Retirement System

Plan Description – IPERS membership is mandatory for employees of the Agency. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member’s earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Cedar Rapids / Linn County Solid Waste Agency
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NOTES TO FINANCIAL STATEMENTS

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's total contributions to IPERS for the year ended June 30, 2015 were \$151,833.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency reported a liability of \$1,125,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.0283861 percent which was a decrease of 0.0009104 percent from its proportion measured as of June 30, 2013.

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

For the year ended June 30, 2015, the Agency recognized pension expense of \$84,261. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,235	\$ -
Changes in assumptions	49,683	-
Net difference between projected and actual earnings on pension plan investments	-	429,336
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	2,095
Agency contributions subsequent to the measurement date	151,833	-
Total	\$ 213,751	\$ 431,431

\$151,833 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the average remaining service life of all system members of 5.28 years or 5 years (as of the beginning of the fiscal year) follows:

Year End June 30,	
2016	\$ (93,357)
2017	(93,357)
2018	(93,357)
2019	(93,357)
2020	3,915
	\$ (369,513)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

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

The actuarial assumptions used in the June 30, 1014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Subsequent to the actuarial valuation date used by the Plan and Society of Actuaries issued updated mortality scales and mortality improvement scales; MP2014 and MP-15. It is expected these scales may increase the total pension liability by 4%-8% unless the plan experience indicates otherwise. The Agency has not been provided the impact of these scales but believes the updated scales, if determined appropriate for the plan, will have a material impact on the Agency's net pension obligation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$ 2,127,108	\$ 1,125,768	\$ 280,534

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the Agency reported payables to the defined benefit pension plan of \$11,751 for legally required employer contributions and \$7,829 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7: Related Party Transactions

Accounts receivable at June 30, 2015 includes \$117,196 and \$13,368 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2015 includes \$56,227 and \$6,574 due to the City of Cedar Rapids, Iowa and Linn County, respectively. Revenue received for the year ended June 30, 2015 from the City of Cedar Rapids, Iowa and Linn County was \$2,614,109 and \$41,071, respectively while expenses paid were \$626,285 and \$11,284, 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 2015 for health and dental insurance were \$534,948. There were no additional premiums owed to the City for past claims as of June 30, 2015.

Note 9: Major Customers

The Agency had sales to two customers that amounted to approximately \$2,160,121 and comprised 24.2% of the Agency’s operating revenues for the year ended June 30, 2015.

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

Note 10: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	\$ 46,049,819
Net pension liability at June 30, 2014	(1,577,573)
Change outflows of resources related contributions made after the June 30, 2013 measurement date	165,872
Net position July 1, 2014 as restated	\$ 44,638,118

Note 11: New Pronouncements

The Agency adopted the following statements during the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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
NOTES TO FINANCIAL STATEMENTS

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. 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.

As of June 30, 2015, the GASB had issued several statements not yet implemented by the Agency. The Statements which might impact the Agency is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the Agency beginning with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued July 2015, will be effective for the Agency beginning with its fiscal year ending June 30, 2016. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The first category of authoritative GAAP consists of GASB Statements of *Governmental Accounting Standards*. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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
Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Year ended June 30, 2015

Iowa Public Employees' Retirement System

	2014
Agency's proportion of the net pension liability (asset)	0.0283861%
Agency's proportionate share of the net pension liability	\$ 1,125,768
Agency's covered-employee payroll	\$ 1,857,469
Agency's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	60.61%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of the measurement date.

See note to required supplementary information.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Required Supplementary Information
Schedule of the Agency's Contributions
Iowa Public Employees' Retirement System
Year ended June 30, 2015

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 151,833	\$ 165,872	\$ 156,237	\$ 134,296	\$ 111,838
Contributions in relation to the statutorily required contribution	(151,833)	(165,872)	(156,237)	(134,296)	(111,838)
Contribution deficiency (excess)	-	-	-	-	-
Agency's covered-employee payroll	\$ 1,700,258	1,857,469	1,802,042	\$ 1,664,142	\$ 1,609,182
Contribution as percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%
	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 108,135	\$ 102,552	\$ 83,524	\$ 81,040	\$ 80,154
Contributions in relation to the statutorily required contribution	(108,135)	(102,552)	(83,524)	(81,040)	(80,154)
Contribution deficiency (excess)	-	-	-	-	-
Agency's covered-employee payroll	\$ 1,626,085	\$ 1,614,989	\$ 1,380,554	\$ 1,409,393	\$ 1,393,982
Contribution as percentage of covered-employee payroll	6.65%	6.35%	6.05%	5.75%	5.75%

See note to required supplementary information.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Required Supplementary Information
Notes to Other Information – Pension Liability
Iowa Public Employees’ Retirement System
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member’s first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Required Supplementary Information
Budgetary Reporting
Year ended June 30, 2015**

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 2015 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 12,177,215	\$ (3,125,793)	\$ 9,051,422	\$ 8,558,169
Budgetary Basis Actual Expenditures			\$ 8,558,169
Less: Capital Budgeted Expenditures			(210,575)
Total operating expenses			\$ 8,347,594

Cedar Rapids/Linn County Solid Waste Agency, Iowa

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

Comment	Comment	Status
Number		

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

None



RSM US LLP

**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 and
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, 2015, 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 28, 2015. The Agency's June 30, 2014 financial statements have been restated due to the implementation of GASB Statement Nos. 68 and 71 to recognize a net pension liability and deferred outflows of resources.

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, 2015 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.

RSM US LLP

Davenport, Iowa
December 28, 2015

Cedar Rapids/Linn County Solid Waste Agency, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

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-15

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-15

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

II-C-15

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

II-D-15

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-15

Solid waste tonnage fees retained: During the year ended June 30, 2015, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

II-F-15

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	\$	7,772,224
Total estimated costs for closure and postclosure care, Site #2		14,704,500
Less care costs remaining to be funded attributable to unutilized capacity		(4,756,906)
	<u>\$</u>	<u>17,719,818</u>
Amount Agency has restricted for closure and postclosure care as of June 30, 2015	\$	20,089,474
Amount City has restricted for closure and postclosure care as of June 30, 2015		-
	<u>\$</u>	<u>20,089,474</u>