

CITY OF CEDAR FALLS, IOWA

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2006**

Prepared by:

Financial Services Division
Of
Department of Administrative Services

Jennifer Rodenbeck, CPA, CPFO
Finance Manager

**City of Cedar Falls, Iowa
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006**

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September 27, 2006

To Mayor Crews, Members of the City Council and Citizens of the City of Cedar Falls:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Cedar Falls, Iowa, for the year ended June 30, 2006. This is the fourth CAFR completed in compliance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To facilitate the understanding of the City's financial affairs, the CAFR is divided into the following sections:

- Introductory Section – Includes this letter of transmittal and a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officer's Association of the United States and Canada.
- Financial Section – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information.
- Statistical Section – Various unaudited statistics relating to the 10-year financial history of the City of Cedar Falls.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Cedar Falls' MD&A can be found immediately following the report of the independent auditors.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Information to comply with OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and "Government Auditing Standards" is included in another report under a separate cover.

The City of Cedar Falls provides many municipal services including fire and police protection, streets, garbage collection, parks, recreation, cultural arts, planning, zoning, general administration, and sewer services. For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. Financial accountability is determined

by several different factors, including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. After careful evaluation of these factors, the City has included in this financial report the Cedar Falls Electric Utility, Gas Utility, Water Utility, and Communications Utility, as well as all funds of the City. The Utilities are each reported as discretely presented component units.

In FY04, the City did implement Governmental Accounting Standards Board Statement No.44. This statement improves the understandability and usefulness of the information presented in the Statistical Section of this report.

GOVERNMENTAL STRUCTURE

The City has operated under the mayor-council form of government since incorporation. Policy-making and legislative authority are vested in the governing council, which consists of seven members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, setting goals, and approving mayor-appointed committees. The full-time mayor is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing department directors. The mayor and Council are elected on a nonpartisan basis. The Council consists of two council members elected at large and one council member elected from each of the five wards as established by ordinance, elected for terms of four years. The mayor is elected at large and to a two-year term.

ECONOMIC CONDITION AND OUTLOOK

The City, incorporated in 1854, is located in the northeastern part of the state, has a land area of 28.9 square miles and a population of 36,145. The City is empowered to levy a property tax on both real and personal property located within its boundaries, and has the power by state statute to extend its corporate limits by annexation, which is seldom done, but will be done when deemed appropriate by the City Council.

The economic condition and outlook of Cedar Falls and the metro area have continued to improve. In the early 1980's, the largest industries in the metro area were John Deere Co. and Rath Meat Packing. When the farm economy declined in the mid-1980's, the business of those firms also declined, which caused an increase in unemployment rates and an exodus of the population in the metro area. The Cedar Falls economy was insulated from many of the impacts created by the recession due to the growth and stability of the University of Northern Iowa and a diverse service business sector.

The Greater Cedar Valley Alliance was formed in the metro area to organize the human resources and generate needed development capital to attract new business and industry to the area and to encourage expansion of businesses already in the area. As a result, many new businesses have located offices and plants in the metro area. Target Corporation constructed a distribution center with an assessed value of approximately \$45 million and the Cedar Falls Industrial and Technology Park continues to show tremendous expansion.

The increase in new businesses and expansion of established firms has had a positive effect on employment and the City's tax base. Historically, Cedar Falls' unemployment rate has closely followed the State trends, which are significantly lower than the nation's unemployment rate (See Attachment A). This is due to the strong service employment base supported by the state university located in Cedar Falls. Since the devaluation of property in 1986-1988, Cedar Falls has had steady growth in property values. Assessed values increased in FY07 by \$194 million, however taxable values only increased by almost \$64.5 million (See Attachment B) due to the rollback.

The City has responded to a portion of this challenge by maintaining a comparatively low tax rate. Cedar Falls has the fifth lowest tax rate per capita of the twenty largest cities in the state of Iowa (See Attachment C). This low rate can be attributed to the efforts of the City to streamline operations over the past twenty years, mainly by reducing the number of employees. Cedar Falls had the one of the lowest number of full-time employees per 1,000 residents in FY06. (See Attachment D).

Over the past ten years Cedar Falls' residential housing sales prices have significantly increased. In 1995, the average sales price reported was \$90,172. In 2005, the average sales price was \$181,310, which is over a one hundred (100) percent, increase in the past ten years. These statistics indicate that Cedar Falls' local economy is sound and there is a strong market for Cedar Falls homes (See Attachment E).

Housing values have surged from the recession and devaluation of the mid-1980's to values that once again place the homeowners living in Cedar Falls in an advantageous market position. This market growth is a credit to businesses, the school system, utilities, and quality of City services in Cedar Falls. Each entity has worked together to strengthen the local economy, create jobs, and improve Cedar Falls' quality of life.

MAJOR INITIATIVES

Industrial & Technology Park: Fiscal year 2006 continued a pattern of strong growth and development in the Cedar Falls Industrial & Technology Park. Financial projections for a 10 year period have been prepared for this TIF district based on future taxable values of new businesses, including the projects listed above; future taxable values of current construction in the Industrial and Technology Park; future tax rates; and tax abatements currently in existence. Based on these financial projections, the City will be able to pay off all the debt relating to the Industrial and Technology Park, including the debt payments to other funds, by FY09. After FY09, the TIF district is expected to generate approximately \$2 - 3 million on an annual basis.

The generation of revenues inside the TIF district for the past six fiscal years and for future fiscal years obviously is a benefit to the Industrial and Technology Park. The revenues must be placed back in the district and this allows for future expansion and increased infrastructure for future corporate residents. Even though the future does look bright for the Industrial and Technology Park, there has been some concern for its effect on the General Fund. As a TIF district "captures" additional property taxes in that district, it at the same time means lost property tax revenues to the General Fund. Management of the City and the City Council had to consider this impact when establishing the TIF district. Through detail and comprehensive planning of City staff and the City Council, the aforementioned financial projections show the benefits that were derived from the establishment of the Industrial and Technology Park and the TIF district. In addition, the taxable values of new businesses drawn to the Industrial and Technology Park can eventually be included in the General Fund property tax values at the point that the TIF district is terminated. These industrial and commercial taxable values will then help to solve the residential property tax ratio in the City of Cedar Falls and can help reduce the burden caused by state mandated residential rollback.

In addition to large projects in the Industrial and Technology Park, the City completed a new \$6 million Aquatic Center. This will not only provide greater service to our citizens but will increase tourism to Cedar Falls as well.

Economic Development Campaign: Besides to continuing to work with the Greater Cedar Valley Alliance, the City of Cedar Falls is undergoing a one-year economic development campaign. A special website has been set up

and the City has worked with an advertising agency to create professional promotional materials. These materials will be used to attract commercial businesses from across the United States. There are several reasons why Cedar Falls may be an attractive location:

- **Centrally Located:** Cedar Falls is located in the Midwest and is situated on the crossroads of interstates Highway 20 and 218. It is nearly equidistant from Minneapolis (N), Chicago (E), St. Louis (S), and Omaha (W). All of these commerce centers are approximately 4 hours' drive-time away, making Cedar Falls a competitive central location.
- **Connection:** Cedar Falls was among the first of the nation's municipalities to provide its businesses and residents with high-speed broadband data services.
- **Secure:** Cedar Falls offers a secure environment. Individual security is assured because of an equipped and highly trained public-safety team. Police and fire personnel are at the ready 24/7 to respond to any emergency. Post-9/11 procedures are locked in place to ensure the integrity of communication, transportation, shelter, and safety of school children, the infirm, and residents at large. Cedar Falls crime rates are among the lowest in the country (2.8 per 1,000 population).
- **Efficient:** Cedar Falls has remained on the cutting edge of energy efficiency, waste stream reduction, and abundant, high-quality water. The City is able to do this because it owns and operates a municipal gas, electric, water, refuse-collection, recycling, and communications services. Consequently, Cedar Falls offers some of the most competitive utility rates in the nation.
- **Culture and Recreation:** Cedar Falls offers various recreational activities, including numerous bike trails, a new aquatic center, a new renovated Recreation Center, and three golf courses. Cedar Falls also has cultural activities including the Hearst Center for the Arts and the new Gallagher-Bluedorn Performing Arts Center located on the University of Northern Iowa campus.

The City of Cedar falls hopes this one-year economic development campaign will continue to help the City of Cedar Falls grow its commercial tax base.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorizations.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance to management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control comprehends reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits. The benefit consists of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the State of Iowa, the City has formally established budgetary accounting control for its operating funds. Budgetary control is maintained at the function level (Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-Type activities). The City has adhered to these budgetary laws.

INDEPENDENT AUDIT

Eide Bailly, LLP, a firm of independent public accountants has audited the financial records, books of account and transactions of the City for the fiscal year ended June 30, 2006, and their opinion is included in the Financial Section of this report. The financial statements are the responsibility of the City. The responsibility of the independent public accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with U.S. generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cedar Falls for its comprehensive annual financial report (CAFR) for the year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

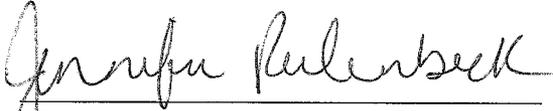
A Certificate of Achievement is valid for a period of one year only. The City of Cedar Falls has received a Certificate of Achievement for the last sixteen consecutive years (fiscal years ended 1990-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget beginning July 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. The City of Cedar Falls has received the GFOA's Award for Distinguished Budget Presentation for the last thirteen years.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Financial Services Division, particularly Lisa Roeding, Finance Associate. Each member of the division has my sincere appreciation for the contributions made in the preparation of this report. I would also like to thank the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and prudent manner.

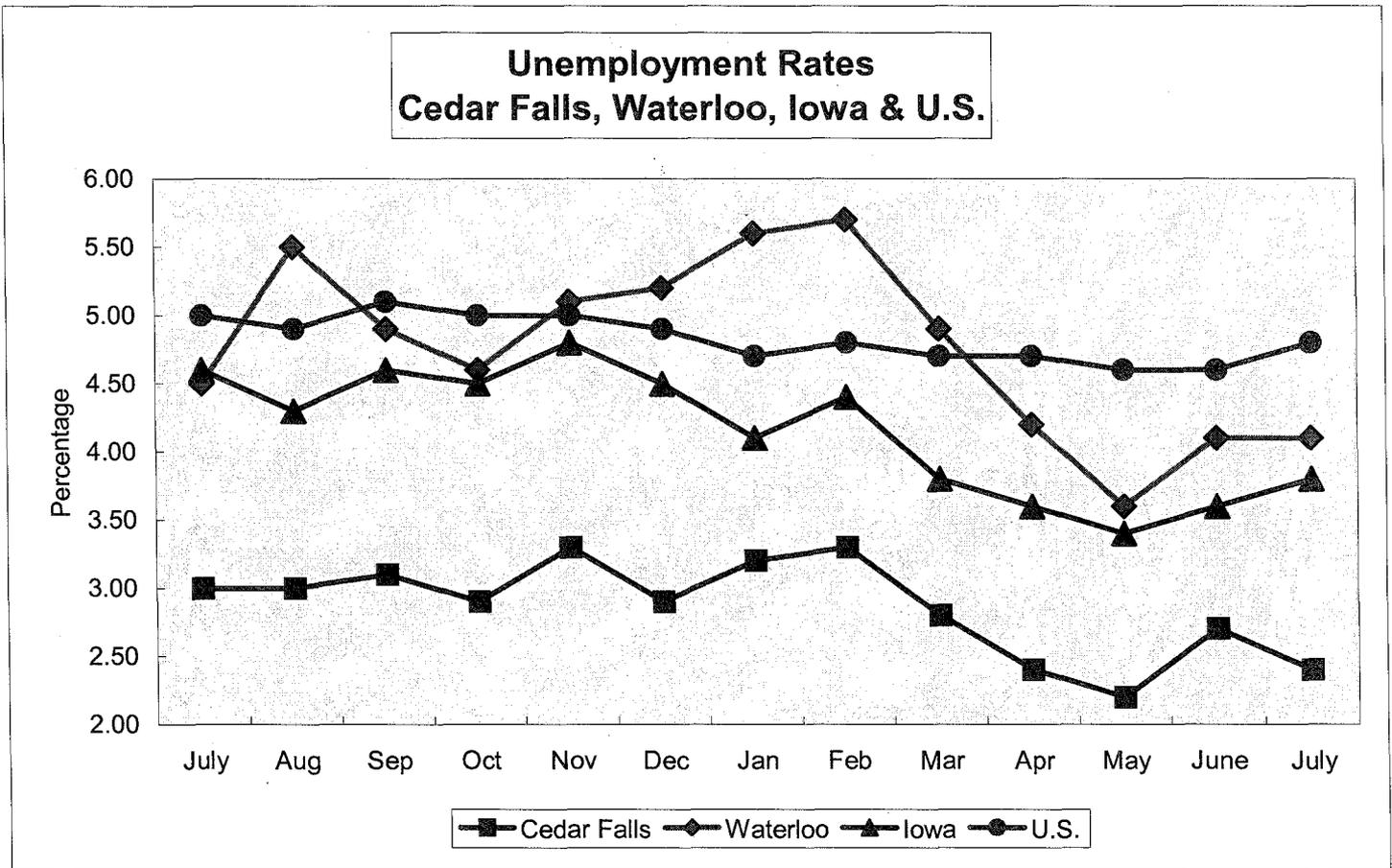
Sincerely,



Jennifer Rodenbeck, CPA, CPFO
Finance Manager

ATTACHMENT A

Unempl



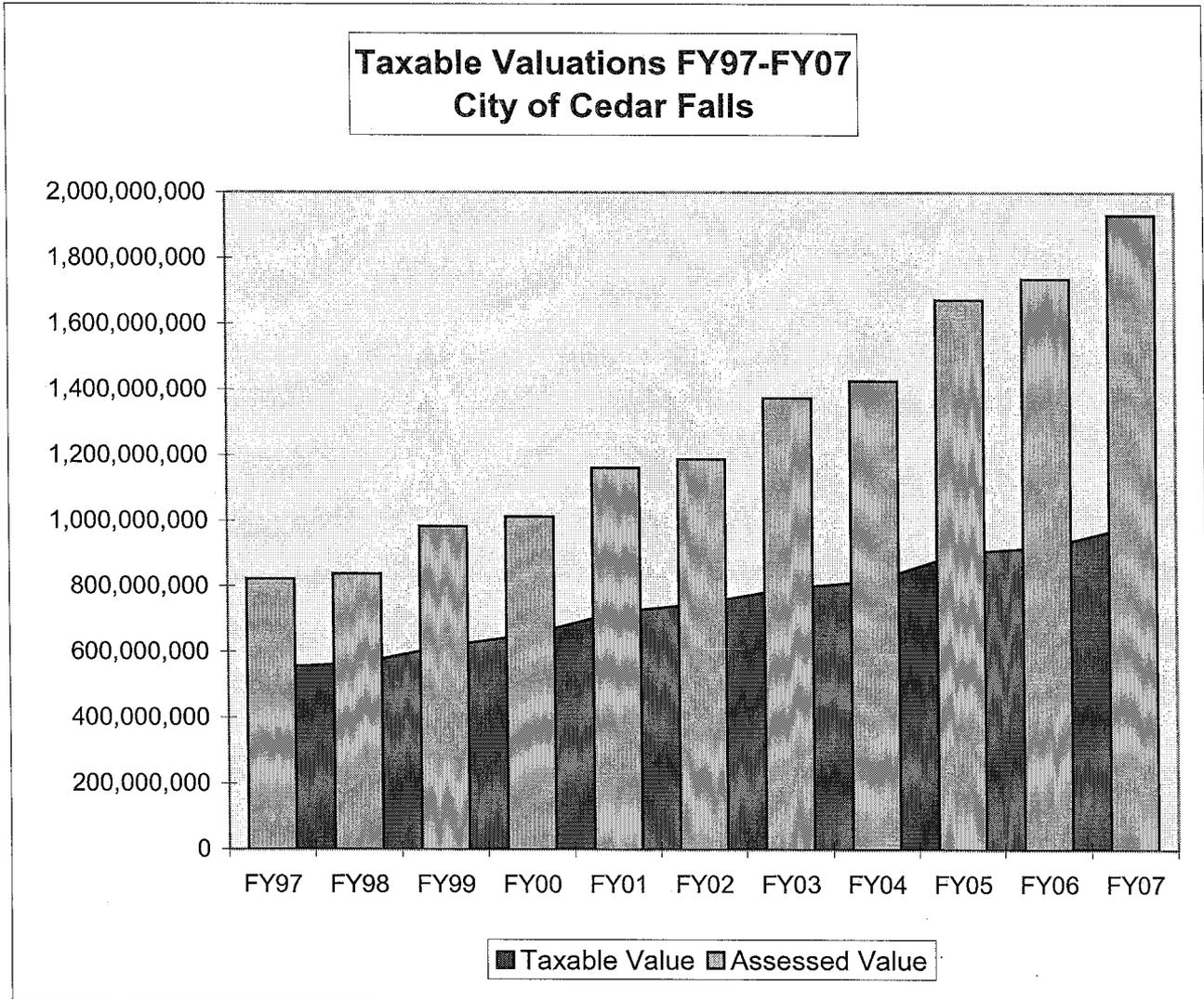
**Unemployment Rates
Cedar Falls, Waterloo, Iowa & U.S.**

Month 05-06	Cedar Falls (In %)	Waterloo (In %)	Iowa (In %)	U.S. (In %)
July	3.0	4.5	4.6	5.0
Aug	3.0	5.5	4.3	4.9
Sep	3.1	4.9	4.6	5.1
Oct	2.9	4.6	4.5	5.0
Nov	3.3	5.1	4.8	5.0
Dec	2.9	5.2	4.5	4.9
Jan	3.2	5.6	4.1	4.7
Feb	3.3	5.7	4.4	4.8
Mar	2.8	4.9	3.8	4.7
Apr	2.4	4.2	3.6	4.7
May	2.2	3.6	3.4	4.6
June	2.7	4.1	3.6	4.6
July	2.4	4.1	3.8	4.8
Average	2.9	4.8	4.2	4.8

Cedar Falls has consistently remained below Waterloo and the nation's unemployment rates.

Historically Cedar Falls' unemployment rate has closely followed the State trends. Cedar Falls is insulated from many of the economic problems in the Metro area due to a strong service employment base supported by UNI.

taxvalue07

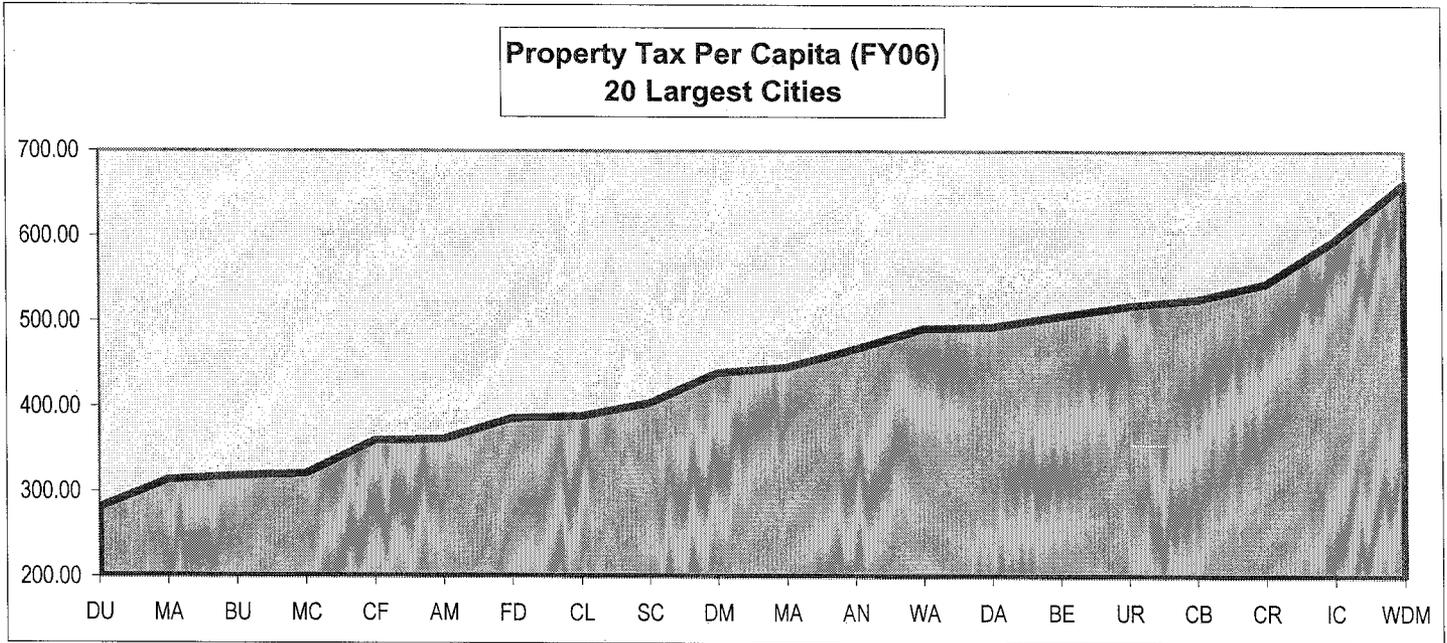


Year	Taxable Value	Assessed Value
FY97	553,548,261	822,854,401
FY98	565,333,594	838,595,077
FY99	617,205,551	983,280,851
FY00	653,019,972	1,012,876,271
FY01	722,070,299	1,161,812,891
FY02	747,955,311	1,188,336,276
FY03	794,505,253	1,374,429,803
FY04	817,896,980	1,427,127,146
FY05	903,439,479	1,673,902,007
FY06	920,739,030	1,737,456,552
FY07	985,250,869	1,931,758,484

The last ten years have provided a steady growth trend in assessed valuations.

For FY07, assessed values increased by \$194,301,932. However, taxable values only increased by \$64,511,839 due to the change in the residential rollback factor from 47.96% in FY06 to 46.00% in FY07.

ATTACHMENT C



**Property Tax Per Capita (FY06)
20 Largest Iowa Cities**

City	FY06 Tax Per Person	2000 Population	Abbreviation
Dubuque	280.70	57,686	DU
Marshalltown	313.37	26,009	MA
Burlington	318.40	26,839	BU
Mason City	320.84	29,172	MC
Cedar Falls	359.64	36,145	CF
Ames	361.51	50,731	AM
Fort Dodge	385.97	25,136	FD
Clinton	388.51	27,772	CL
Sioux City	403.98	85,013	SC
Des Moines	439.44	198,682	DM
Marion	446.40	26,294	MA
Ankeny	467.47	27,117	AN
Waterloo	491.51	68,747	WA
Davenport	493.92	98,359	DA
Bettendorf	506.35	31,275	BE
Urbandale	518.31	29,072	UR
Council Bluffs	526.33	58,268	CB
Cedar Rapids	544.59	120,758	CR
Iowa City	596.03	62,220	IC
West Des Moines	662.16	46,403	WDM
Average	441.27		

For over two decades Cedar Falls' local government has operated at one of the lowest per capita property tax rates among the 20 largest cities in Iowa.

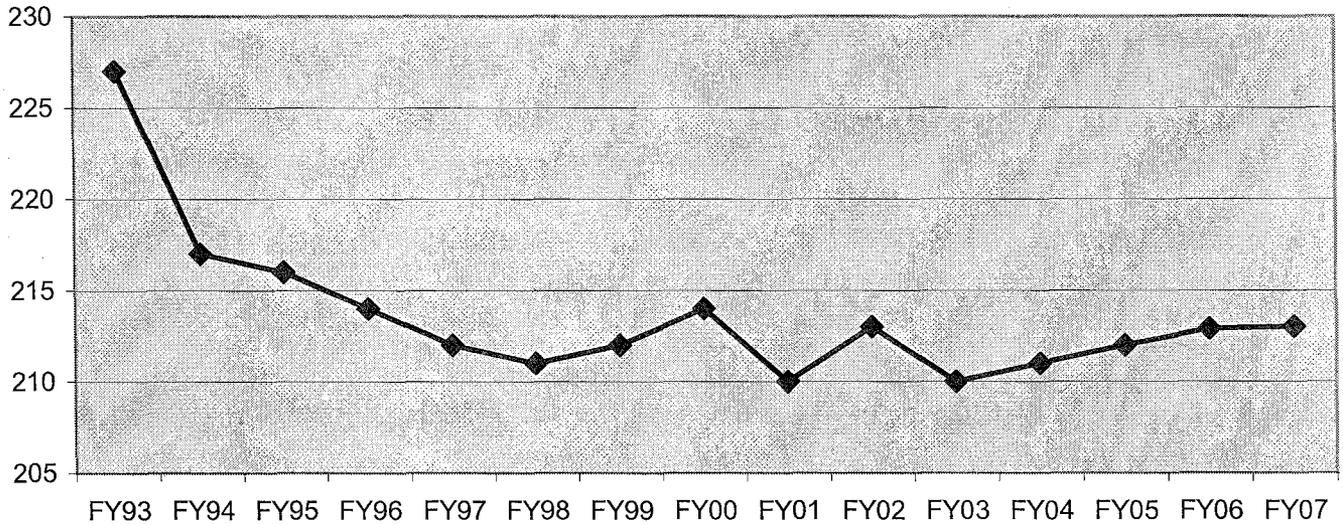
At a cost of \$359.64 per person, the City is substantially below the average rate of \$441.27. This rate can be attributed to the City's concerted efforts to streamline operations over the past 20 years.

If the City of Cedar Falls operated at the state average property tax per capita, an additional 2.95 million dollars would be devoted to operations. This would be an increase of 22% of taxes levied in FY06.

Included in Cedar Falls' population are university students who live in campus housing and do not pay property taxes. This results in an even greater property tax burden on the citizens.

ATTACHMENT D

**Number of Full-Time Employees
City of Cedar Falls**



**Number of Full-Time Employees
City of Cedar Falls
FY93 - FY07**

Year	Number of Employees	Population	Employees per 1,000
FY93	227	34,298	6.62
FY94	217	34,298	6.33
FY95	216	34,298	6.30
FY96	214	34,298	6.24
FY97	212	34,298	6.18
FY98	211	34,298	6.15
FY99	212	34,298	6.18
FY00	214	34,298	6.24
FY01	210	36,145	5.81
FY02	213	36,145	5.89
FY03	210	36,145	5.81
FY04	211	36,145	5.84
FY05	212	36,145	5.87
FY06	213	36,145	5.89
FY07	213	36,145	5.89
Average:			6.11

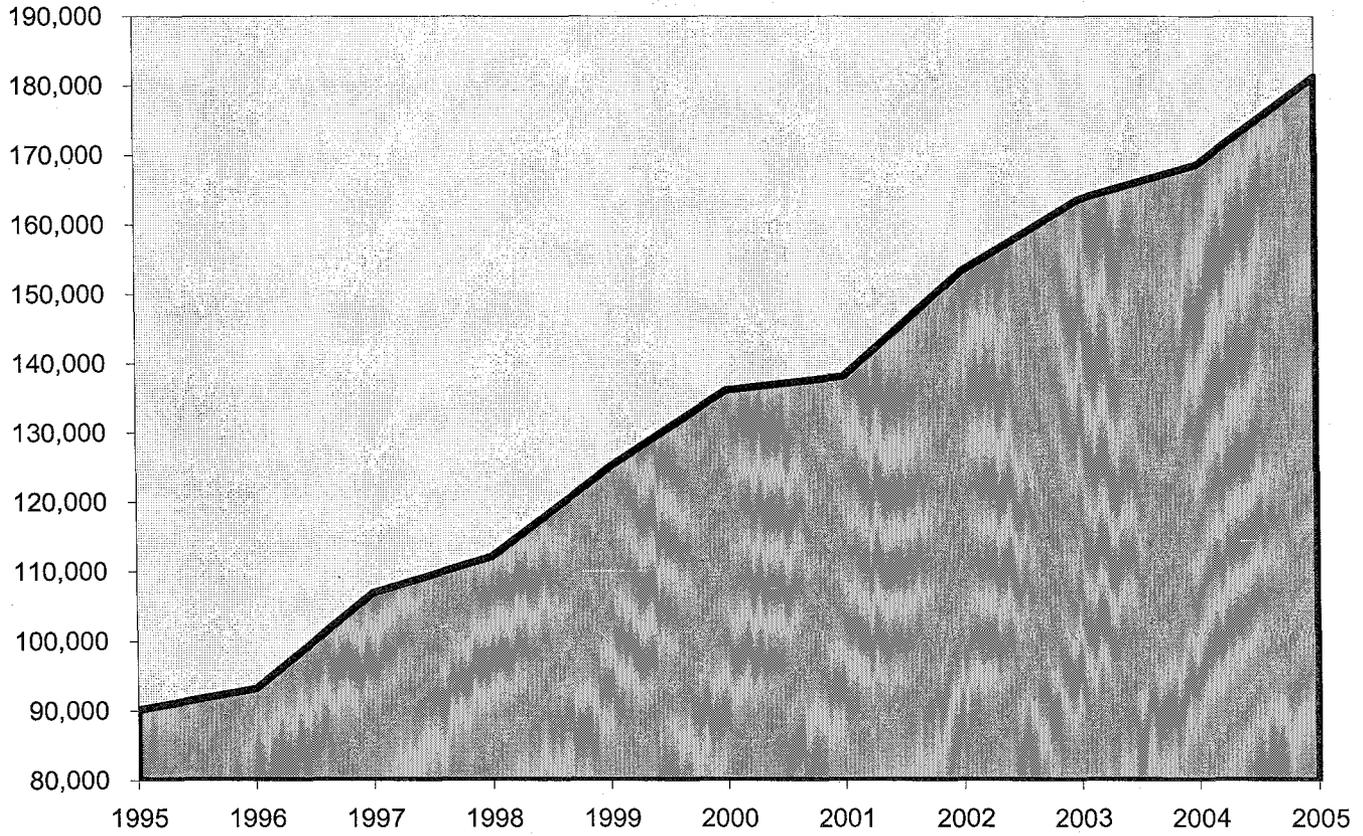
Full-time employees hired by the City of Cedar Falls have gradually dropped over the past 15 years from a high of 227 in FY93 to a low of 210 in FY01 & FY03.

Reductions in employment are created by the policy directives the City Council implemented through reorganization in FY88-91 and early retirement initiatives in FY94 and FY95.

ATTACHMENT E

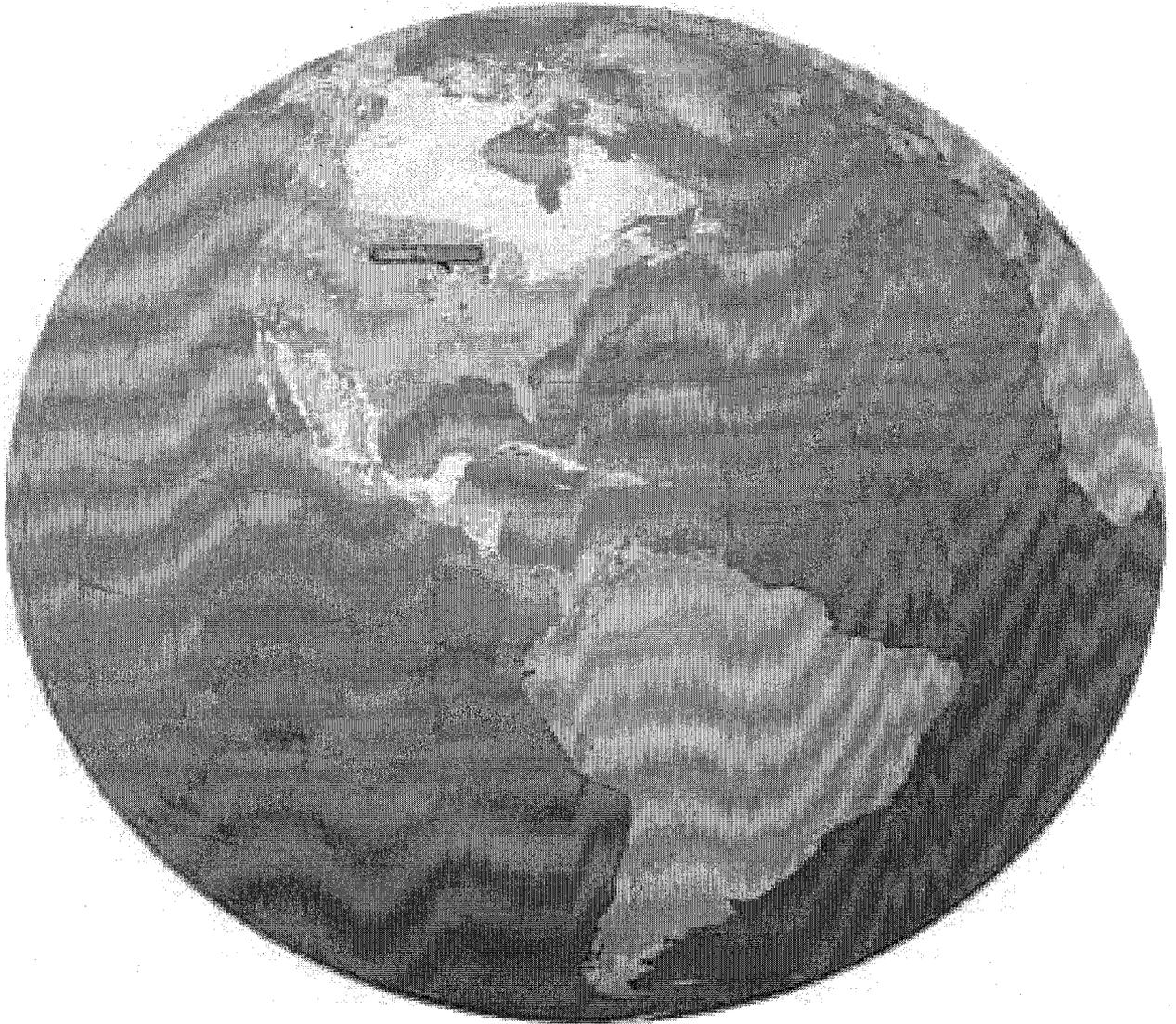
Resale07

**Average Residential Sales Price (Annual)
Cedar Falls, Iowa**



Year	Average Sales Price
1995	90,172
1996	93,238
1997	107,014
1998	112,208
1999	125,052
2000	136,175
2001	138,226
2002	153,312
2003	163,637
2004	168,589
2005	181,310
Average	133,539

The average sale price of residential properties in Cedar Falls has grown by 101% between 1995 - 2005 from \$90,172 to \$181,310.



City of Cedar Falls

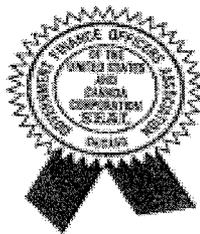
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cedar Falls,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



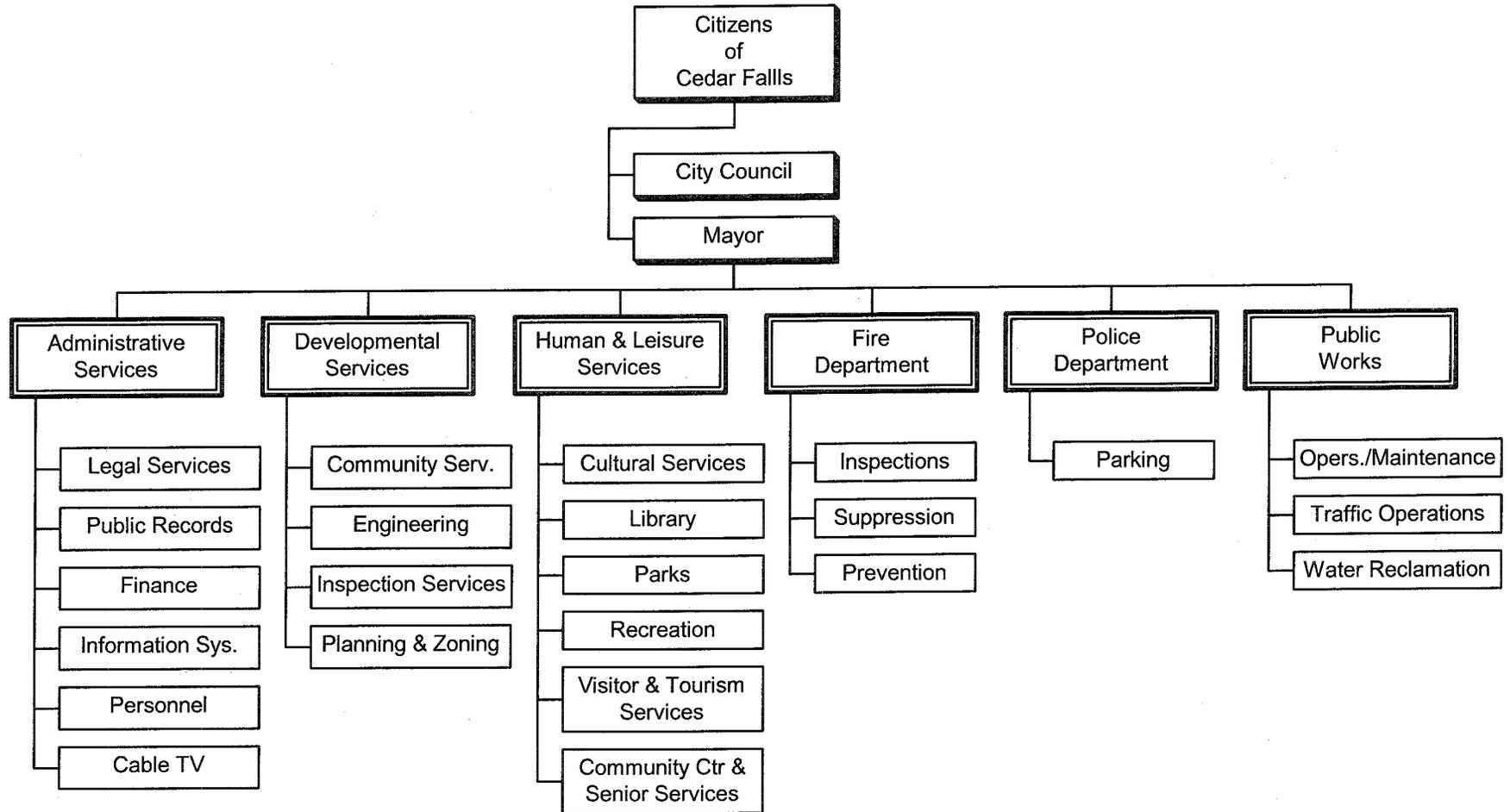
Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

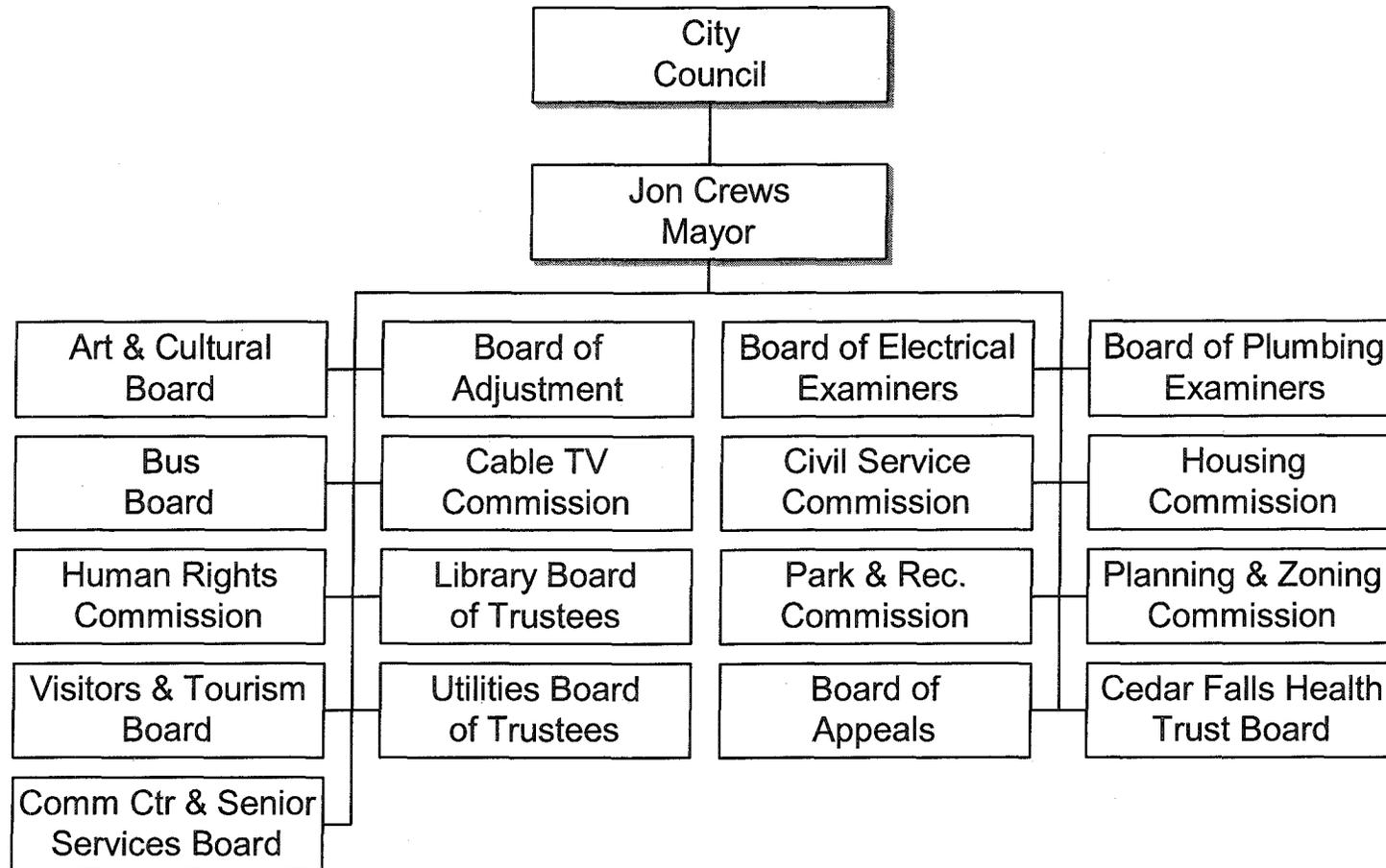
CITY OF CEDAR FALLS, IOWA
ORGANIZATIONAL CHART



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CITY OF CEDAR FALLS, IOWA

BOARDS AND COMMISSIONS

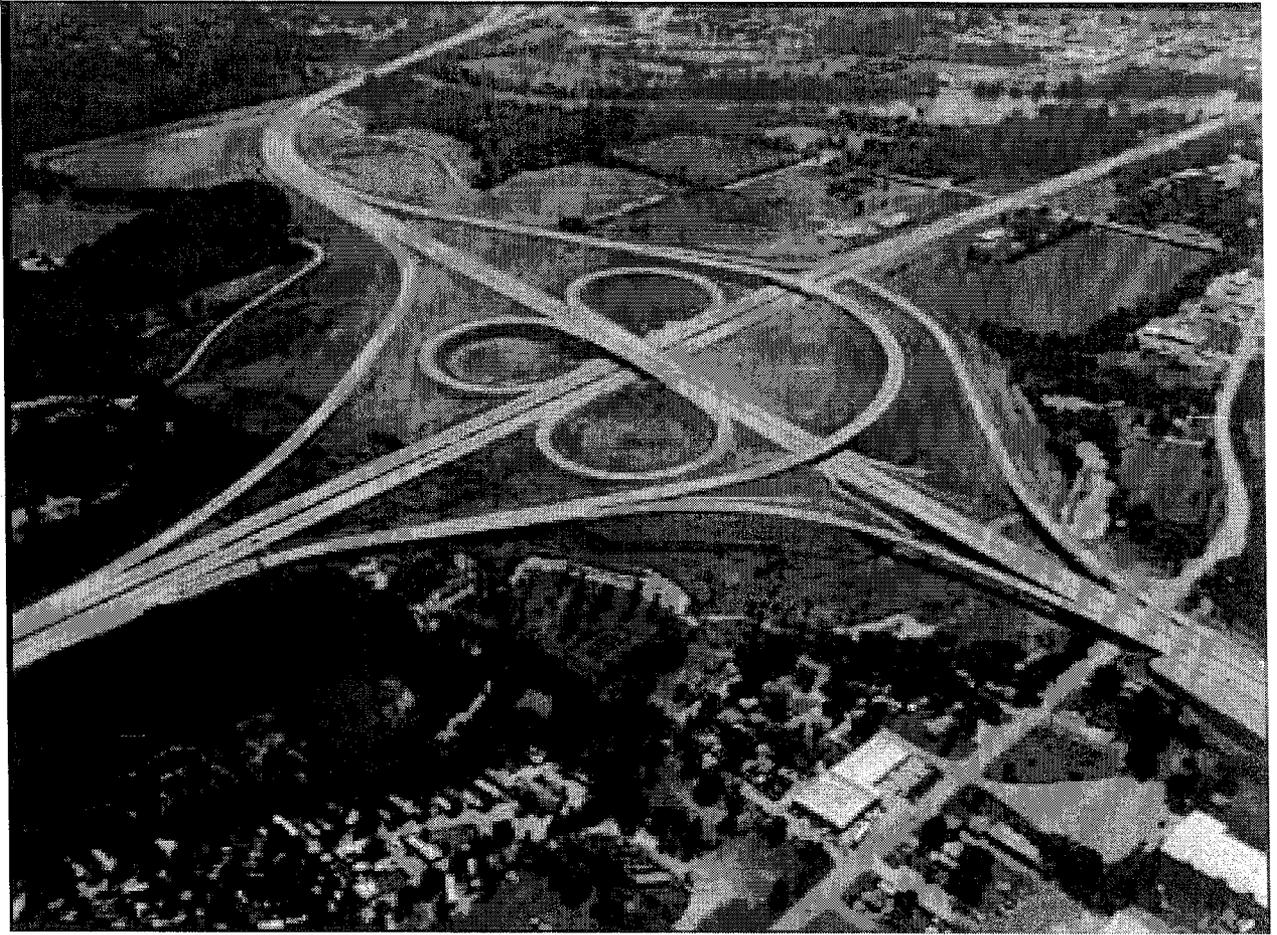


CITY OF CEDAR FALLS, IOWA

PRINCIPAL OFFICIALS

June 30, 2006

Title	Name
Mayor	Jon Crews
Council Member – 1 st Ward	Tom Hagarty
Council Member – 2 nd Ward	Susan deBuhr
Council Member – 3 rd Ward	John Runchey
Council Member – 4 th Ward	Kamyar Enshayan
Council Member – 5 th Ward	Frank Darrah
Council Member – At Large	Axe Haugen
Council Member – At Large	Dave Wieland
Administrative Services Director	Richard L. McAlister
Developmental Services Director	John Page
Human & Leisure Services Director	Ward Stubbs
Fire Chief	Steve Mitchell
Police Chief	Rick Ahlstrom
Public Works Director	Bruce Sorensen
City Attorney	Steve Moore
City Attorney	Susan Staudt
Finance Manager	Jennifer Rodenbeck
City Clerk	Gary Hesse
Data Processing Manager	Laurene Saathoff
Cable TV Manager	Kirk Eastman
City Engineer	Ron Gaines
City Planner	Marty Ryan
Community Services Manager	Robert Seymour
Inspection Services Manager	Dick Cheeseman
Cultural Services Manager	Mary Huber
Park Division Manager	Mark Ripplinger
Recreation Division Manager	Bruce Verink
Visitors & Tourism Manager	Kimberly Burger
Cedar Falls Public Library Director	Sheryl Groskurth
Building & Traffic Operations Manager	Laverne Junker
Operations and Maintenance Manager	Brian Heath
Water Reclamation Manager	Lyle Krueger
Cedar Falls Utilities General Manager	Jim Krieg



City of Cedar Falls

Aerial View



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Cedar Falls, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Falls, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Cedar Falls, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Falls, Iowa, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, under separate cover, dated September 20, 2006, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cedar Falls' financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter found on pages 1 – 11 of this report.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 7.65%, or \$2,849,028, from fiscal year 2005 to fiscal year 2006. Property taxes increased \$1,128,972 for all activities.
- Program expenses increased 11.08%, or \$3,166,958 in fiscal year 2006 from fiscal year 2005. Public Safety, Public Works, and Culture and Recreation expenses increased \$134,903, \$1,169,821, and \$561,015, respectively.
- The City's net assets increased 6.14%, or \$11,637,666, from June 30, 2005 to June 30, 2006. Of this amount, the net assets of the governmental activities increased by \$9,106,402 and the net assets of the business-type activities increased by \$2,531,264.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds and the Internal Service Funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Cedar Falls in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the

accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, streets, fire, police, parks, recreation, library, and housing and block grant assistance. Property taxes, local option sales taxes, road use taxes, and federal and state grants finance most of these activities.
- Business-type activities – The City of Cedar Falls charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and refuse are reported in this section.

The Government-wide financial statements can be found on pages 30 - 33 of this report.

Fund Financial Statements

The Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City has two kinds of funds:

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. We describe the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Hospital Fund, Street Repair Fund, Street Construction Fund, Debt Service Fund, Capital Improvements Fund, and Bond Fund, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Governmental Fund Financial Statements can be found on pages 34 - 38 of this report.

- Proprietary Funds – When the City charges customers for the service it provides, these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and refuse activities.

Internal Service Funds are used to accumulate and allocate costs internally. The City uses internal service funds for its information systems, vehicle maintenance, and various risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund and Refuse Fund, both of which are considered major funds. Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Proprietary Fund Financial Statements can be found on pages 39 - 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net assets for governmental and business-type activities.

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and						
other assets	\$ 88,638,847	\$ 85,207,075	\$ 9,444,717	\$ 9,181,635	\$ 98,083,564	\$ 94,388,710
Capital assets	127,298,975	120,069,998	35,542,085	33,527,510	162,841,060	153,597,508
Total assets	215,937,822	205,277,073	44,986,802	42,709,145	260,924,624	247,986,218
Long-term debt	\$ 23,074,855	\$ 23,172,991	\$ 6,371,011	\$ 6,204,330	\$ 29,445,866	\$ 29,377,321
Other liabilities	29,649,171	27,996,688	530,374	950,662	30,179,545	28,947,350
Total liabilities	\$ 52,724,026	\$ 51,169,679	\$ 6,901,385	\$ 7,154,992	\$ 59,625,411	\$ 58,324,671
Net assets:						
Invested in capital						
assets, net of						
related debt	\$ 108,359,511	\$ 100,850,333	\$ 30,991,450	\$ 28,566,202	\$ 139,350,961	\$ 129,416,535
Restricted	17,167,913	16,688,108	808,500	808,500	17,976,413	17,496,608
Unrestricted	37,686,372	36,568,953	6,285,467	6,179,451	43,971,839	42,748,404
Total net assets	\$ 163,213,796	\$ 154,107,394	\$ 38,085,417	\$ 35,554,153	\$ 201,299,213	\$ 189,661,547

Net assets of governmental activities increased from FY05 by approximately \$9.1 million, or 5.91%. This increase was due mainly to the increase in capital assets during FY06, including the new \$6 million "The Falls" Aquatic Center. Net assets of business-type activities increased from FY05 by approximately \$2.5 million, or 7.12%. This increase was also primarily due to the increase in capital assets during FY06, including the \$1.7 million 2nd stage filter improvement. The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations are approximately \$44 million at the end of the year.

For the year ended June 30, 2006, net assets changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues						
Charges for services	\$ 4,224,651	\$ 3,604,935	\$ 6,438,957	\$ 6,237,761	\$ 10,663,608	\$ 9,842,696
Operating grants and contributions	2,533,024	3,143,285	-	-	2,533,024	3,143,285
Capital grants and contributions	3,622,803	2,759,995	1,553,151	820,264	5,175,954	3,580,259
General Revenues						
Property taxes	17,163,242	16,034,121	-	149	17,163,242	16,034,270
Other city	4,709,758	4,349,790	-	-	4,709,758	4,349,790
Use of money and property	2,425,140	1,874,497	301,153	212,962	2,726,293	2,087,459
Intergovernmental	3,527,541	3,809,479	-	-	3,527,541	3,809,479
Miscellaneous	491,847	207,661	-	-	491,847	207,661
Gain on sale of asset	-	65,215	-	-	-	65,215
Utility contribution	1,400,000	1,400,000	-	-	1,400,000	1,400,000
Total revenues	\$ 40,098,006	\$ 37,248,978	\$ 8,293,261	\$ 7,271,136	\$ 48,391,267	\$ 44,520,114
Expenses						
Public safety	\$ 6,920,986	\$ 6,786,083	\$ -	\$ -	\$ 6,920,986	\$ 6,786,083
Public works	9,291,307	8,121,486	-	-	9,291,307	8,121,486
Health and social services	325,479	261,476	-	-	325,479	261,476
Culture and recreation	5,911,073	5,350,058	-	-	5,911,073	5,350,058
Community and economic development	4,353,658	3,345,487	-	-	4,353,658	3,345,487
General government	3,972,891	3,751,183	-	-	3,972,891	3,751,183
Debt service	968,298	960,961	-	-	968,298	960,961
Capital projects	-	-	-	-	-	-
Sewer	-	-	3,212,254	2,777,820	3,212,254	2,777,820
Refuse	-	-	1,797,655	2,176,174	1,797,655	2,176,174
Total expenses	\$ 31,743,692	\$ 28,576,734	\$ 5,009,909	\$ 4,953,994	\$ 36,753,601	\$ 33,530,728
Increase in net assets						
before transfers	\$ 8,354,314	\$ 8,672,244	\$ 3,283,352	\$ 2,317,142	\$ 11,637,666	\$ 10,989,386
Transfers	752,088	556,462	(752,088)	(556,462)	-	-
Increase in net assets	\$ 9,106,402	\$ 9,228,706	\$ 2,531,264	\$ 1,760,680	\$ 11,637,666	\$ 10,989,386
Net assets, beginning	154,107,394	144,878,688	35,554,153	33,793,473	189,661,547	178,672,161
Restatement	-	-	-	-	-	-
Net assets, ending	\$ 163,213,796	\$ 154,107,394	\$ 38,085,417	\$ 35,554,153	\$ 201,299,213	\$ 189,661,547

Property tax revenue increased by approximately \$1.1 million from FY05 due to increased TIF revenue. New streets and sewers provided by developers in FY06 caused capital grants and contributions to increase by \$1.6 million.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,230,284. \$6,041,609 is reserved for employee retirement systems, inventory, and debt service. This leaves an unreserved balance of \$45,188,675.

This governmental fund balance increased by \$809,682, which is only 1.61%. Even though revenues increased by approximately 7%, expenditures increased to offset this, primarily due to the increase in capital projects.

The General Fund is the chief operating fund of the City of Cedar Falls. At the end of the current fiscal, unreserved fund balance of the General Fund was \$5,462,495, while the total fund balance totaled \$5,582,084. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures. Unreserved fund balance represents 33.4% of the total General Fund expenditures, while the total fund balance represents 34.1% of that same amount.

The following fund balances in the other major funds, which comprise the Total Governmental Funds are listed below:

	FY06 Amount	FY05 Amount	Increase (Decrease)
Hospital Fund	\$ 12,535,647	\$ 12,085,386	\$ 450,261
Street Repair Fund	7,649,980	6,616,414	1,033,566
Street Construction Fund	3,977,291	4,429,821	(452,530)
Debt Service Fund	213,401	221,532	(8,131)
Capital Improvements Fund	4,496,071	6,092,996	(1,596,925)
Bond Fund	5,390,628	4,832,356	558,272
Other Governmental Funds	11,385,182	11,265,464	119,718

The largest increase in fund balance for the major funds occurred in the Street Repair Fund. This was due to increased local option sales tax revenue and increased interest income earned on these funds.

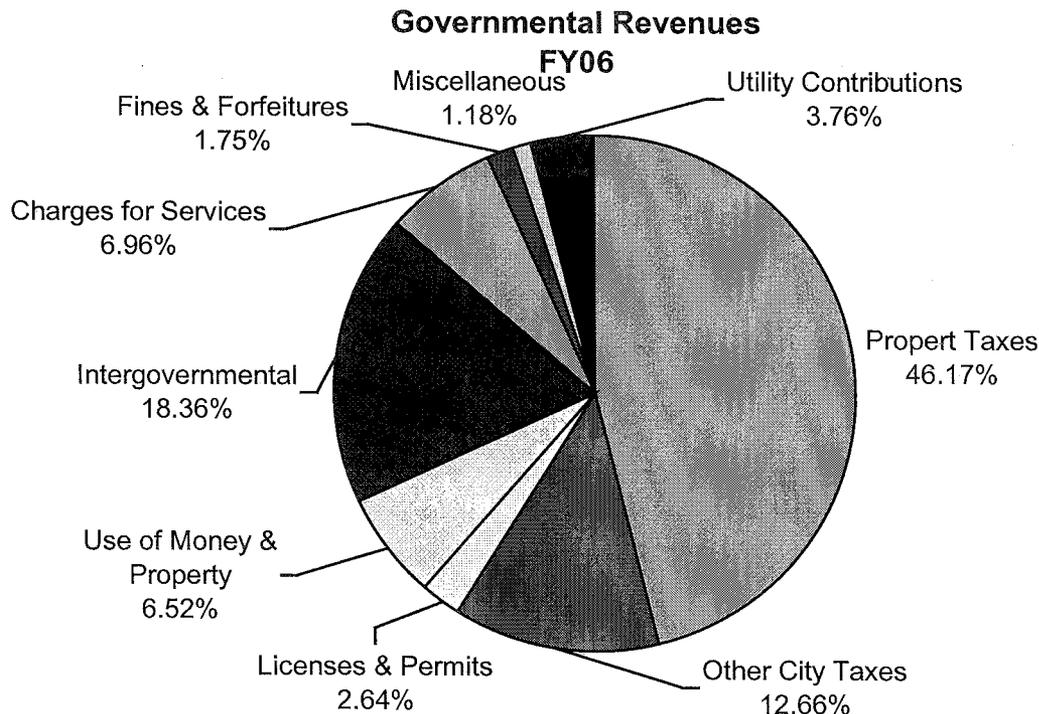
The Capital Improvements Fund had the largest decrease in fund balance for the major funds. This decrease was caused by several capital projects that occurred in FY2006, including the completion of the Aquatic Center and the Pheasant Ridge Golf Course Irrigation System.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2006 and June 30, 2005.

Revenues	FY06 Amount	Percent of Total	FY05 Amount	Increase (Decrease) from FY05	Percent of Increase (Decrease)
Property taxes and assessments	\$ 17,186,164	46.17 %	\$ 16,033,558	\$ 1,152,606	43.25 %
Other city taxes	4,712,426	12.66	4,210,658	501,768	18.83
Licenses and permits	982,954	2.64	923,727	59,227	2.22
Use of money and property	2,425,140	6.52	1,874,497	550,643	20.66
Intergovernmental	6,834,840	18.36	6,457,295	377,545	14.17
Charges for services	2,589,376	6.96	2,244,467	344,909	12.94
Fines and forfeitures	652,321	1.75	436,741	215,580	8.09
Miscellaneous	437,966	1.18	975,478	(537,512)	(20.17)
Utility contribution in lieu of taxes	1,400,000	3.76	1,400,000	--	0.00
	<u>\$ 37,221,187</u>	<u>100.00 %</u>	<u>\$ 34,556,421</u>	<u>\$ 2,664,766</u>	<u>100.00 %</u>

The most significant increase in revenues was in property taxes and assessments. The increase was due to increased TIF revenues from the City's four TIF districts.

The most significant decrease in revenues was in miscellaneous. This decrease was due to the reduction of sales tax refunds received by the City. The City now uses the new State method of registering projects on-line and providing sales tax exemption certificates to contractors prior to the project even starting.



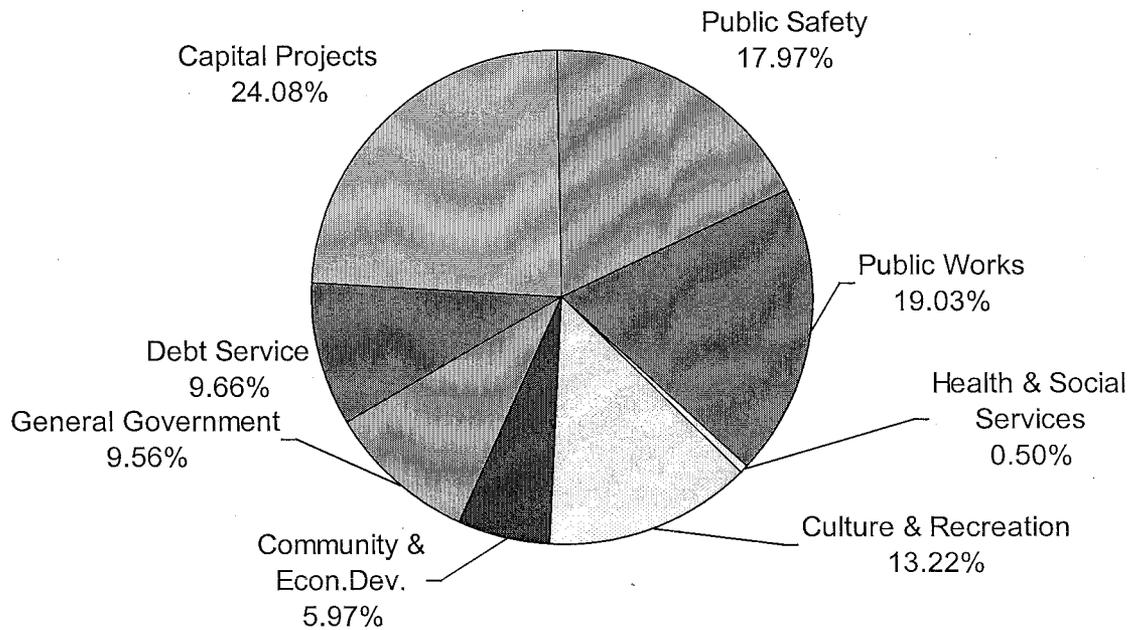
The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2006 and June 30, 2005.

Expenditures	FY06 Amount	Percent of Total	FY05 Amount	Increase (Decrease) from FY05	Percent of Increase (Decrease)
Public Safety	\$ 7,173,967	17.97 %	\$ 6,692,528	\$ 481,439	21.01 %
Public Works	7,595,353	19.03	7,364,214	231,139	10.09
Health & Social Services	199,164	0.50	135,160	64,004	2.79
Culture & Recreation	5,277,687	13.22	4,756,551	521,136	22.74
Cummunity and Economic Development	2,384,359	5.97	2,523,565	(139,206)	(6.08)
General Government	3,814,373	9.56	3,455,372	359,001	15.67
Debt Service	3,857,274	9.66	4,438,127	(580,853)	(25.35)
Capital Projects	9,612,287	24.08	8,257,673	1,354,614	59.12
	<u>\$ 39,914,464</u>	<u>100.00 %</u>	<u>\$ 37,623,190</u>	<u>\$ 2,291,274</u>	<u>100.00 %</u>

The most significant decrease in expenditures occurred in the debt service function. This was due to the timing of bond sales and the related debt service payments.

The most significant increase in expenditures occurred in the capital projects function. This was due to several projects occurring during FY06.

Governmental Expenditures FY06



Proprietary Funds

City of Cedar Falls proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

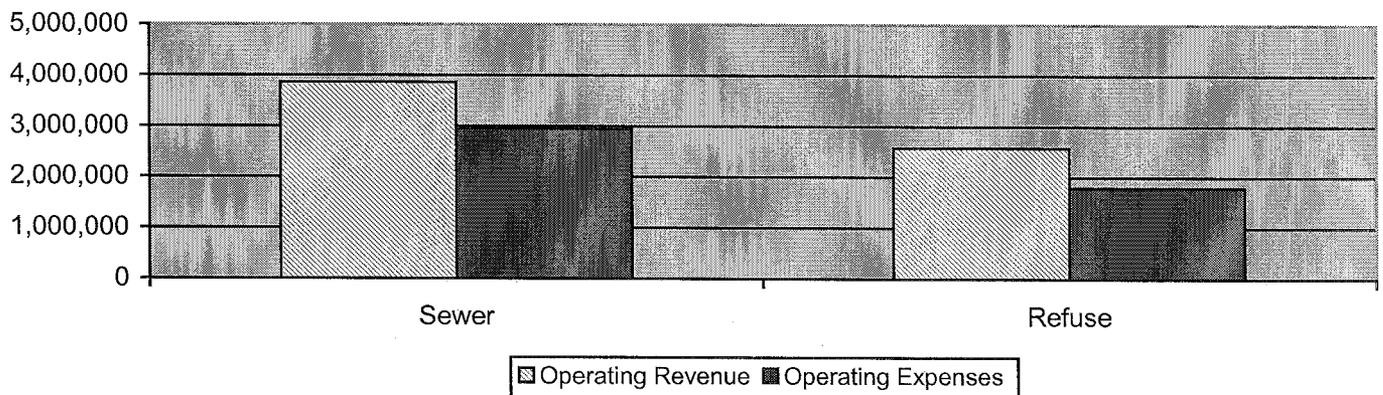
Unrestricted net assets of the Sewer and Refuse funds at the end of the year amounted to \$6,285,467. There are unrestricted assets in the Governmental Activities Internal Service fund of \$8,184,766.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Sewer and Refuse. Results of operations for these funds for the year ended June 30, 2006 is as follows:

	Sewer		Refuse	
	2006	2005	2006	2005
Operating Revenues	\$ 3,862,562	\$ 3,777,236	\$ 2,576,395	\$ 2,460,525
Operating Expenses	2,946,562	2,483,408	1,797,655	2,173,837
Non-Operating Revenue (Expenses)	(10,019)	(128,252)	45,480	44,614
Capital Contributions	1,553,151	820,264	-	-
Operating Transfers, net	423,907	(24,912)	(1,175,995)	(531,550)
Net Income	2,883,039	1,960,928	(351,775)	(200,248)

**Proprietary Fund Operating Revenues & Expenses
FY06**



BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget two times. The first amendment was done in October 2005 and the second amendment was made in May 2006. These amendments were needed due to the timing of various capital projects, the payment of several escrow funds with various developers, and the refunding of two debt issuances. The City did not exceed the amended budgeted amounts in any of its functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2006, the City had \$163 million invested in capital assets including police and fire equipment, public buildings, park facilities, roads, bike trails, bridges, water treatment facilities, sanitary sewer lines, and storm water improvements. (See Table following.) This represents a net increase of \$9.2 million or 6.0% over last year.

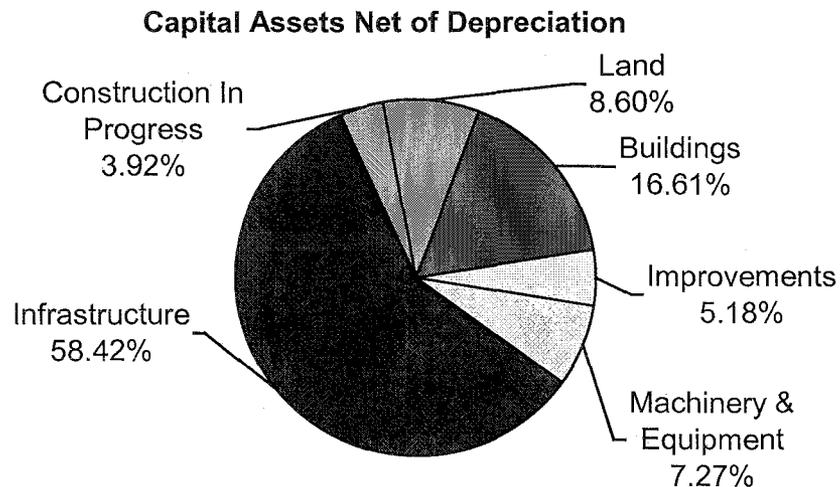
**City of Cedar Falls Capital Assets
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 12,684,630	\$ 12,702,243	\$ 1,319,264	\$ 1,319,265	\$ 14,003,894	\$ 14,021,508
Buildings	19,509,183	20,056,189	7,531,602	7,764,023	27,040,785	27,820,212
Improvements other than buildings	8,435,535	1,770,758	-	-	8,435,535	1,770,758
Machinery and equipment	6,985,873	6,887,472	4,855,037	3,182,037	11,840,910	10,069,509
Infrastructure	73,612,966	72,710,118	21,524,672	20,426,291	95,137,638	93,136,409
Construction in progress	6,070,788	5,943,218	311,510	835,894	6,382,298	6,779,112
Total	\$ 127,298,975	\$ 120,069,998	\$ 35,542,085	\$ 33,527,510	\$ 162,841,060	\$ 153,597,508

Major capital asset events during the current fiscal year included the following:

- Completion of the 2nd Stage Filter for the Water Treatment Facility.
- Completion of the new "Falls" Aquatic Center and the completion of the Pheasant Ridge Golf Course Irrigation System.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.



Debt

At year-end, the City had \$29,655,000 in outstanding bonds compared to \$29,575,000 last year. That is an increase of only \$80,000, which is less than 1%.

**City of Cedar Falls Outstanding Debt
General Obligation and Revenue Bonds**

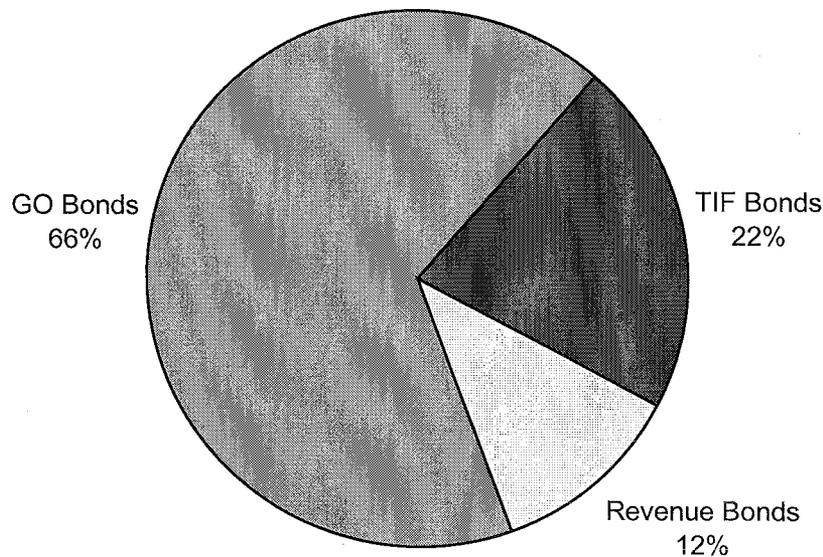
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 16,860,000	\$ 16,115,000	\$ 2,980,000	\$ 2,160,000	\$ 19,840,000	\$ 18,275,000
Tax increment financing	6,395,000	7,225,000	--	--	6,395,000	7,225,000
Revenue bonds	--	--	3,420,000	4,075,000	3,420,000	4,075,000
Total	\$ 23,255,000	\$ 23,340,000	\$ 6,400,000	\$ 6,235,000	\$ 29,655,000	\$ 29,575,000

The City of Cedar Falls maintained their Aa2 rating from Moody's Investor Services for all general obligation bond issuances.

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2006, the City's legal debt margin was \$58,212,828.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

**City of Cedar Falls Outstanding Debt
FY06**



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the state legislative session in 2003, the legislature permanently eliminated certain state funding to local governments starting with FY2004 and will continue in all future years. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

Even with the State reductions, the City Council did establish a balanced budget in the General Fund for FY07. The tax levy rate per \$1,000 of taxable valuation for FY07 is provided below:

General levy	\$ 8.10
Trust and Agency levy	3.61
Debt Service levy	1.33
Transit levy	.30
Library levy	.27
Liability Insurance levy	.21
Municipal Band levy	<u>.02</u>
Total levy	\$ 13.84

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. The City's discretely presented component units, Cedar Falls Utilities, have separately issued financial statements. If you have questions about this report or need additional information, contact the Department of Administrative Services, 220 Clay Street, Cedar Falls, Iowa 50613.



City of Cedar Falls

Downtown Parkade

City of Cedar Falls, Iowa
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 64,135,517	\$ 7,756,988	\$ 71,892,505
Certificates of deposit	--	--	--
US government and agency securities	--	--	--
Receivables, net of allowance for uncollectible amounts:			
Property taxes	19,096,687	--	19,096,687
Other city taxes	771,768	--	771,768
Accrued interest	748,718	87,814	836,532
Special assessments	3,000	20,237	23,237
Notes	--	--	0
Customers	--	--	--
Library contributions	1,290,704	--	1,290,704
Other	456,463	725,548	1,182,011
Due from component unit	700,000	--	700,000
Due from other governments	1,125,686	--	1,125,686
Inventories	310,304	55,130	365,434
Prepays and other assets	--	--	--
Restricted assets:			
Cash	--	799,000	799,000
Certificates of deposit	--	--	--
US government and agency securities	--	--	--
Capital assets:			
Land	12,684,630	1,319,264	14,003,894
Land improvements	9,973,771	--	9,973,771
Buildings	24,380,917	11,445,488	35,826,405
Machinery and equipment	13,119,158	5,846,746	18,965,904
Infrastructure	115,817,373	30,704,888	146,522,261
Construction in progress	6,070,788	311,510	6,382,298
Accumulated depreciation	(54,747,662)	(14,085,811)	(68,833,473)
Total assets	<u>\$ 215,937,822</u>	<u>\$ 44,986,802</u>	<u>\$ 260,924,624</u>
LIABILITIES			
Accounts payable	\$ 5,699,104	\$ 85,992	\$ 5,785,096
Accrued liabilities	1,991,774	76,959	2,068,733
Due to primary government	--	--	--
Note payable to associated company	--	--	--
Unearned revenue	18,971,881	--	18,971,881
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	3,040,000	1,390,000	4,430,000
Compensated absences	573,599	88,851	662,450
Portion due or payable after one year:			
Bonds payable	20,034,855	4,981,011	25,015,866
Contracts payable	600,000	--	600,000
Compensated absences	1,812,813	278,572	2,091,385
Total liabilities	<u>\$ 52,724,026</u>	<u>\$ 6,901,385</u>	<u>\$ 59,625,411</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 108,359,511	\$ 30,991,450	\$ 139,350,961
Restricted:			
Streets	11,384,336	--	11,384,336
Debt service	213,401	799,000	1,012,401
Employee retirement system	5,570,176	--	5,570,176
Post closure costs	--	9,500	9,500
Unrestricted	37,686,372	6,285,467	43,971,839
Total net assets	<u>\$ 163,213,796</u>	<u>\$ 38,085,417</u>	<u>\$ 201,299,213</u>

See notes to financial statements

Component Units			
Electric Utility	Gas Utility	Water Utility	Communications Utility
\$ 5,692,717	\$ 3,789,202	\$ 604,519	\$ 237,391
7,952,227	1,635,000	1,850,000	--
8,950,390	243,850	956,300	--
--	--	--	--
--	--	--	--
477,615	42,150	62,342	27,492
--	--	--	--
2,783,090	--	--	--
3,794,093	3,829,917	233,137	1,048,681
--	--	--	--
778,890	18,715	7,322	85,179
--	--	--	--
--	--	--	--
3,372,067	136,811	93,395	265,722
839,642	42,832	17,553	50,491
2,533,627	280,000	--	70,888
1,991,530	--	--	903,000
15,030,720	--	--	--
991,703	41,350	63,581	--
4,683	--	--	--
12,303,100	1,159,603	430,138	--
15,008,351	639,000	391,217	248,666
77,949,225	15,818,222	18,513,892	13,900,942
22,575,670	92,439	329,352	133,655
(60,821,685)	(6,589,522)	(6,150,127)	(7,007,987)
<u>\$ 122,207,655</u>	<u>\$ 21,179,569</u>	<u>\$ 17,402,621</u>	<u>\$ 9,964,120</u>
\$ 4,209,637	\$ 3,150,023	\$ 262,104	\$ 390,412
5,560,398	354,652	446,364	270,824
1,200,000	200,000	--	--
--	--	--	2,783,090
--	--	--	--
1,395,000	560,000	--	610,000
--	--	--	--
37,613,210	993,015	--	4,640,434
--	--	--	--
629,670	218,334	23,250	44,456
<u>\$ 50,607,915</u>	<u>\$ 5,476,024</u>	<u>\$ 731,718</u>	<u>\$ 8,739,216</u>
\$ 44,182,925	\$ 9,608,077	\$ 13,578,053	\$ (758,247)
--	--	--	--
4,235,500	280,000	--	953,833
--	--	--	--
--	--	--	--
23,181,315	5,815,468	3,092,850	1,029,318
<u>\$ 71,599,740</u>	<u>\$ 15,703,545</u>	<u>\$ 16,670,903</u>	<u>\$ 1,224,904</u>

**City of Cedar Falls, Iowa
Statement of Activities
For the Year Ended June 30, 2006**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 6,920,986	\$ 715,066	\$ 115,918	\$ --
Public works	9,291,307	344,199	--	2,544,213
Health and social services	325,479	--	--	--
Culture and recreation	5,911,073	1,841,570	2,417,106	100,000
Community and economic development	4,353,658	--	--	978,590
General government	3,972,891	1,323,816	--	--
Interest on long-term debt and related fees	968,298	--	--	--
Total governmental activities	<u>\$ 31,743,692</u>	<u>\$ 4,224,651</u>	<u>\$ 2,533,024</u>	<u>\$ 3,622,803</u>
Business-type activities:				
Sewer	\$ 3,212,254	\$ 3,862,562	\$ --	\$ 1,553,151
Refuse	1,797,655	2,576,395	--	--
Total business-type activities	<u>\$ 5,009,909</u>	<u>\$ 6,438,957</u>	<u>\$ --</u>	<u>\$ 1,553,151</u>
Total primary government	<u>\$ 36,753,601</u>	<u>\$ 10,663,608</u>	<u>\$ 2,533,024</u>	<u>\$ 5,175,954</u>
Component units				
Electric Utility	\$ 26,088,366	\$ 31,396,454	\$ --	\$ --
Gas Utility	17,433,909	17,979,103	--	--
Water Utility	2,241,511	2,482,071	--	1,548,797
Communications Utility	6,683,330	7,893,571	--	--
Total component units	<u>\$ 52,447,116</u>	<u>\$ 59,751,199</u>	<u>\$ --</u>	<u>\$ 1,548,797</u>

General revenues:

- Property taxes and assessments
- Other city taxes
- Use of money and property
- Intergovernmental, not restricted to specific programs
- Miscellaneous
- Utility contribution in lieu of taxes

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Primary Government		Component Units			
	Business-type Activities	Total	Electric Utility	Gas Utility	Water Utility	Communications Utility
\$ (6,090,002)	\$ --	\$ (6,090,002)	\$ --	\$ --	\$ --	\$ --
(6,402,895)	--	(6,402,895)	--	--	--	--
(325,479)	--	(325,479)	--	--	--	--
(1,552,397)	--	(1,552,397)	--	--	--	--
(3,375,068)	--	(3,375,068)	--	--	--	--
(2,649,075)	--	(2,649,075)	--	--	--	--
(968,298)	--	(968,298)	--	--	--	--
<u>\$ (21,363,214)</u>	<u>\$ --</u>	<u>\$ (21,363,214)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ 2,203,459	\$ 2,203,459	\$ --	\$ --	\$ --	\$ --
--	778,740	778,740	--	--	--	--
<u>\$ --</u>	<u>\$ 2,982,199</u>	<u>\$ 2,982,199</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>\$ (21,363,214)</u>	<u>\$ 2,982,199</u>	<u>\$ (18,381,015)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ 5,308,088	\$ --	\$ --	\$ --
--	--	--	--	545,194	--	--
--	--	--	--	--	1,789,357	--
--	--	--	--	--	--	1,210,241
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,308,088</u>	<u>\$ 545,194</u>	<u>\$ 1,789,357</u>	<u>\$ 1,210,241</u>
\$ 17,163,242	\$ --	\$ 17,163,242	\$ --	\$ --	\$ --	\$ --
4,709,758	--	4,709,758	--	--	--	--
2,425,140	301,153	2,726,293	1,019,819	194,284	84,794	45,270
3,527,541	--	3,527,541	--	--	--	--
491,847	--	491,847	--	--	--	--
1,400,000	--	1,400,000	--	--	--	--
752,088	(752,088)	--	--	--	--	--
<u>\$ 30,469,616</u>	<u>\$ (450,935)</u>	<u>\$ 30,018,681</u>	<u>\$ 1,019,819</u>	<u>\$ 194,284</u>	<u>\$ 84,794</u>	<u>\$ 45,270</u>
\$ 9,106,402	\$ 2,531,264	\$ 11,637,666	\$ 6,327,907	\$ 739,478	\$ 1,874,151	\$ 1,255,511
154,107,394	35,554,153	189,661,547	65,271,833	14,964,067	14,796,752	(30,607)
<u>\$ 163,213,796</u>	<u>\$ 38,085,417</u>	<u>\$ 201,299,213</u>	<u>\$ 71,599,740</u>	<u>\$ 15,703,545</u>	<u>\$ 16,670,903</u>	<u>\$ 1,224,904</u>

City of Cedar Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2006

	Special Revenue		
	General Fund	Hospital Fund	Street Repair Fund
ASSETS			
Cash	\$ 5,150,590	\$ 12,393,103	\$ 7,445,834
Receivables, net of allowance for uncollectible amounts:			
Property taxes	11,780,136	--	--
Other city taxes	68,232	--	635,304
Accrued interest	158,103	147,780	94,065
Special assessments	--	--	--
Library contributions	1,290,704	--	--
Other	24,332	332,632	--
Due from component unit	700,000	--	--
Due from other funds	--	--	--
Due from other governments	18,617	--	--
Inventories	119,589	--	--
Total assets	\$ 19,310,303	\$ 12,873,515	\$ 8,175,203
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 243,842	\$ 5,236	\$ 525,223
Accrued liabilities	443,381	--	--
Deferred revenue	13,040,996	332,632	--
Due to other funds	--	--	--
Total liabilities	\$ 13,728,219	\$ 337,868	\$ 525,223
FUND BALANCES			
Reserved for:			
Employee retirement system	\$ --	\$ --	\$ --
Inventories	119,589	--	--
Debt service	--	--	--
Unreserved:			
Undesignated, reported in:			
General fund	5,462,495	--	--
Special revenue funds	--	12,535,647	7,649,980
Capital projects funds	--	--	--
Total fund balances	\$ 5,582,084	\$ 12,535,647	\$ 7,649,980
Total liabilities and fund balances	\$ 19,310,303	\$ 12,873,515	\$ 8,175,203

Amounts reported for governmental activities in the statement of net assets are different because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.
- Internal service funds are used by management to charge the costs of fleet management, management information systems and risk management activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.
- Accrued interest payable and arbitrage payable, are not due and payable in the current period and, therefore, are not reported in the funds.
- Accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.
- Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.
- Net assets of governmental activities

See notes to financial statements

Special Revenue Street Construction Fund	Debt Service Fund	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Capital Improvements Fund	Bond Fund		
\$ 3,741,647	\$ 194,600	\$ 8,198,729	\$ 5,546,106	\$ 11,791,804	\$ 54,462,413
--	5,587,524	972,693	--	756,334	19,096,687
--	--	--	--	68,232	771,768
--	--	100,569	18,134	101,728	620,379
--	--	2,822	--	178	3,000
--	--	--	--	--	1,290,704
--	--	--	--	99,499	456,463
--	--	--	--	--	700,000
--	--	--	--	598,988	598,988
235,671	--	100,000	37,103	734,295	1,125,686
117,705	--	--	--	20,738	258,032
<u>\$ 4,095,023</u>	<u>\$ 5,782,124</u>	<u>\$ 9,374,813</u>	<u>\$ 5,601,343</u>	<u>\$ 14,171,796</u>	<u>\$ 79,384,120</u>
\$ 76,389	\$ --	\$ 3,724,239	\$ 210,715	\$ 702,134	\$ 5,487,778
41,343	--	--	--	19,454	504,178
--	5,568,723	1,154,503	--	1,466,038	21,562,892
--	--	--	--	598,988	598,988
<u>\$ 117,732</u>	<u>\$ 5,568,723</u>	<u>\$ 4,878,742</u>	<u>\$ 210,715</u>	<u>\$ 2,786,614</u>	<u>\$ 28,153,836</u>
\$ --	\$ --	\$ --	\$ --	\$ 5,570,176	\$ 5,570,176
117,705	--	--	--	20,738	258,032
--	213,401	--	--	--	213,401
--	--	--	--	--	5,462,495
3,859,586	--	--	--	3,515,678	27,560,891
--	--	4,496,071	5,390,628	2,278,590	12,165,289
<u>\$ 3,977,291</u>	<u>\$ 213,401</u>	<u>\$ 4,496,071</u>	<u>\$ 5,390,628</u>	<u>\$ 11,385,182</u>	<u>\$ 51,230,284</u>
<u>\$ 4,095,023</u>	<u>\$ 5,782,124</u>	<u>\$ 9,374,813</u>	<u>\$ 5,601,343</u>	<u>\$ 14,171,796</u>	
					123,378,171
					2,591,011
					12,105,570
					(80,708)
					(2,335,677)
					(23,674,855)
					<u>\$ 163,213,796</u>

City of Cedar Falls, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Special Revenue	
		Hospital Fund	Street Repair Fund
Revenues:			
Property taxes and assessments	\$ 10,952,248	\$ --	\$ --
Other city taxes	351,670	--	4,099,489
Licenses and permits	982,954	--	--
Use of money and property	447,487	627,908	280,384
Intergovernmental	724,545	--	--
Charges for services	2,028,847	--	--
Fines and forfeitures	347,743	--	--
Miscellaneous	57,081	2,092	22,277
Utility contribution in lieu of taxes	1,400,000	--	--
Total revenues	\$ 17,292,575	\$ 630,000	\$ 4,402,150
Expenditures:			
Current:			
Public safety	\$ 6,199,644	\$ --	\$ --
Public works	1,182,730	--	3,368,584
Health and social services	30,425	168,739	--
Culture and recreation	4,693,176	--	--
Community and economic development	679,758	--	--
General government	3,576,084	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total expenditures	\$ 16,361,817	\$ 168,739	\$ 3,368,584
Excess (deficiency) of revenues over (under) expenditures	\$ 930,758	\$ 461,261	\$ 1,033,566
Other financing sources (uses):			
Issuance of long-term debt	\$ --	\$ --	\$ --
Issuance of refunding debt	--	--	--
Payment of refunding debt	--	--	--
Discount on long-term debt	--	--	--
Transfers in	758,217	--	--
Transfers out	(985,571)	(11,000)	--
Total other financing sources (uses)	\$ (227,354)	\$ (11,000)	\$ --
Net change in fund balances	\$ 703,404	\$ 450,261	\$ 1,033,566
Fund balances, beginning	4,845,325	12,085,386	6,616,414
Increase (decrease) in reserve for inventories	33,355	--	--
Fund balances, ending	\$ 5,582,084	\$ 12,535,647	\$ 7,649,980

See notes to financial statements

Special Revenue		Capital Projects				
Street Construction Fund	Debt Service Fund	Capital Improvements Fund	Bond Fund	Other Governmental Funds	Total Governmental Funds	
\$ --	\$ 5,037,954	\$ 524,125	\$ --	\$ 671,837	\$ 17,186,164	
--	--	--	--	261,267	4,712,426	
--	--	--	--	--	982,954	
--	--	287,009	151,380	630,972	2,425,140	
3,044,288	--	2,133	395,615	2,668,259	6,834,840	
--	--	--	--	560,529	2,589,376	
--	--	--	--	304,578	652,321	
43,392	--	122,701	37,756	152,667	437,966	
--	--	--	--	--	1,400,000	
<u>\$ 3,087,680</u>	<u>\$ 5,037,954</u>	<u>\$ 935,968</u>	<u>\$ 584,751</u>	<u>\$ 5,250,109</u>	<u>\$ 37,221,187</u>	
\$ --	\$ --	\$ --	\$ --	\$ 974,323	\$ 7,173,967	
2,755,401	--	--	--	288,638	7,595,353	
--	--	--	--	--	199,164	
--	--	--	--	584,511	5,277,687	
--	--	--	--	1,704,601	2,384,359	
--	--	--	--	238,289	3,814,373	
--	3,832,948	--	24,326	--	3,857,274	
--	--	4,256,424	3,360,162	1,995,701	9,612,287	
<u>\$ 2,755,401</u>	<u>\$ 3,832,948</u>	<u>\$ 4,256,424</u>	<u>\$ 3,384,488</u>	<u>\$ 5,786,063</u>	<u>\$ 39,914,464</u>	
<u>\$ 332,279</u>	<u>\$ 1,205,006</u>	<u>\$ (3,320,456)</u>	<u>\$ (2,799,737)</u>	<u>\$ (535,954)</u>	<u>\$ (2,693,277)</u>	
\$ --	\$ --	\$ --	\$ 2,835,000	\$ --	\$ 2,835,000	
--	5,650,000	--	--	--	5,650,000	
--	(5,650,000)	--	--	--	(5,650,000)	
--	--	--	(43,274)	--	(43,274)	
10,080	1,048,660	1,802,185	721,869	1,658,746	5,999,757	
(792,670)	(2,261,797)	(78,654)	(155,586)	(1,003,246)	(5,288,524)	
<u>\$ (782,590)</u>	<u>\$ (1,213,137)</u>	<u>\$ 1,723,531</u>	<u>\$ 3,358,009</u>	<u>\$ 655,500</u>	<u>\$ 3,502,959</u>	
\$ (450,311)	\$ (8,131)	\$ (1,596,925)	\$ 558,272	\$ 119,546	\$ 809,682	
4,429,821	221,532	6,092,996	4,832,356	11,265,464	50,389,294	
(2,219)	--	--	--	172	31,308	
<u>\$ 3,977,291</u>	<u>\$ 213,401</u>	<u>\$ 4,496,071</u>	<u>\$ 5,390,628</u>	<u>\$ 11,385,182</u>	<u>\$ 51,230,284</u>	

City of Cedar Falls, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 809,682

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	12,028,559	
Depreciation expense	<u>(4,878,193)</u>	
		7,150,366

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(22,922)	
Other	<u>315,528</u>	
		292,606

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(8,485,000)	
Discount on general obligation bonds	43,274	
Repaid	8,570,000	
Accrued interest	<u>(31,026)</u>	
		97,248

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

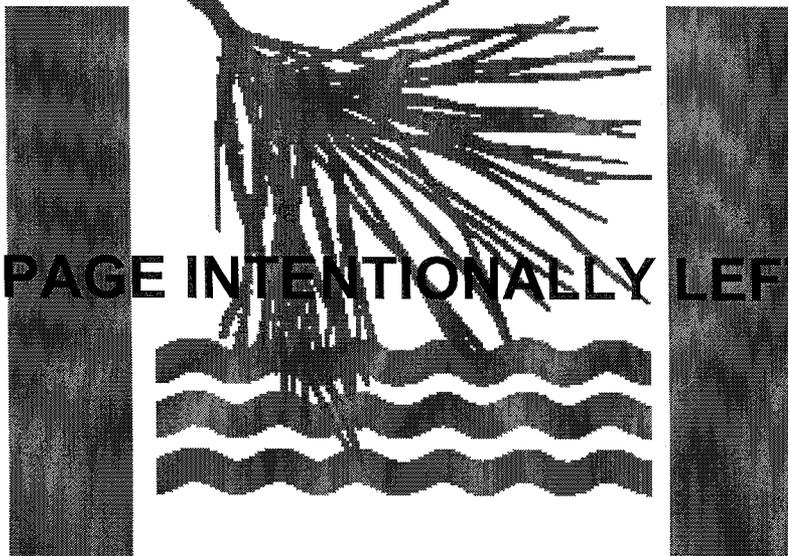
Compensated absences	(81,858)	
Change in inventory	<u>31,308</u>	
		(50,550)

Internal service funds are used by management to charge the costs of fleet management, management information systems and risk management activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Change in net assets of governmental activities	<u>\$ 807,050</u>
	<u>\$ 9,106,402</u>

See notes to financial statements

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Iowa

City of Cedar Falls, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 6,704,971	\$ 1,052,017	\$ 7,756,988
Receivables, net of allowance for uncollectible amounts:			
Accrued interest	72,011	15,803	87,814
Special assessments	20,237	--	20,237
Other	465,426	260,122	725,548
Inventories	26,867	28,263	55,130
Total current assets	<u>\$ 7,289,512</u>	<u>\$ 1,356,205</u>	<u>\$ 8,645,717</u>
Noncurrent assets:			
Restricted assets:			
Cash	\$ 799,000	\$ --	\$ 799,000
Capital assets:			
Land	1,249,796	69,468	1,319,264
Buildings	10,423,276	1,022,212	11,445,488
Machinery and equipment	4,866,557	980,189	5,846,746
Infrastructure	30,704,888	--	30,704,888
Construction in progress	311,510	--	311,510
Accumulated depreciation	(13,287,897)	(797,914)	(14,085,811)
Total noncurrent assets	<u>\$ 35,067,130</u>	<u>\$ 1,273,955</u>	<u>\$ 36,341,085</u>
Total assets	<u>\$ 42,356,642</u>	<u>\$ 2,630,160</u>	<u>\$ 44,986,802</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 40,230	\$ 45,762	\$ 85,992
Accrued liabilities	52,947	24,012	76,959
Bonds payable - due within one year	1,390,000	--	1,390,000
Compensated absences - due within one year	48,886	39,965	88,851
Total current liabilities	<u>\$ 1,532,063</u>	<u>\$ 109,739</u>	<u>\$ 1,641,802</u>
Noncurrent liabilities:			
Bonds payable- after one year	\$ 4,981,011	\$ --	\$ 4,981,011
Compensated absences - after one year	154,879	123,693	278,572
Total noncurrent liabilities	<u>\$ 5,135,890</u>	<u>\$ 123,693</u>	<u>\$ 5,259,583</u>
Total liabilities	<u>\$ 6,667,953</u>	<u>\$ 233,432</u>	<u>\$ 6,901,385</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 29,717,495	\$ 1,273,955	\$ 30,991,450
Restricted for debt service	799,000	--	799,000
Restricted for post closure costs	--	9,500	9,500
Unrestricted	5,172,194	1,113,273	6,285,467
Total net assets	<u>\$ 35,688,689</u>	<u>\$ 2,396,728</u>	<u>\$ 38,085,417</u>

See notes to financial statements

Governmental
Activities -
Internal
Service Funds

\$ 9,673,104

128,339

--

--

52,272

\$ 9,853,715

\$ --

--

90,302

7,215,513

--

--

(3,385,011)

\$ 3,920,804

\$ 13,774,519

\$ 211,326

1,406,888

--

25,757

\$ 1,643,971

\$ --

24,978

\$ 24,978

\$ 1,668,949

\$ 3,920,804

--

--

8,184,766

\$ 12,105,570

City of Cedar Falls, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds	
	Sewer Fund	Refuse Fund
Operating revenues:		
Charges for services, pledged for revenue bonds	\$ 3,744,372	\$ --
Charges for services	--	1,801,422
Other	118,190	774,973
Total operating revenues	\$ 3,862,562	\$ 2,576,395
Operating expenses:		
Personal services	\$ 1,024,759	\$ 820,434
Contractual services	569,312	845,862
Supplies and equipment	427,570	59,950
Depreciation	924,921	71,409
Total operating expenses	\$ 2,946,562	\$ 1,797,655
Operating income	\$ 916,000	\$ 778,740
Nonoperating revenues (expenses):		
Interest revenue	\$ 255,673	\$ 45,480
Interest expense	(265,692)	--
Loss on disposal of equipment	--	--
Nonoperating revenues (expenses), net	\$ (10,019)	\$ 45,480
Income before contributions and transfers	\$ 905,981	\$ 824,220
Capital contributions	\$ 1,553,151	\$ --
Transfers in	563,837	134,671
Transfers out	(139,930)	(1,310,666)
Contributions and transfers, net	\$ 1,977,058	\$ (1,175,995)
Change in net assets	\$ 2,883,039	\$ (351,775)
Net assets, beginning	32,805,650	2,748,503
Net assets, ending	\$ 35,688,689	\$ 2,396,728

See notes to financial statements

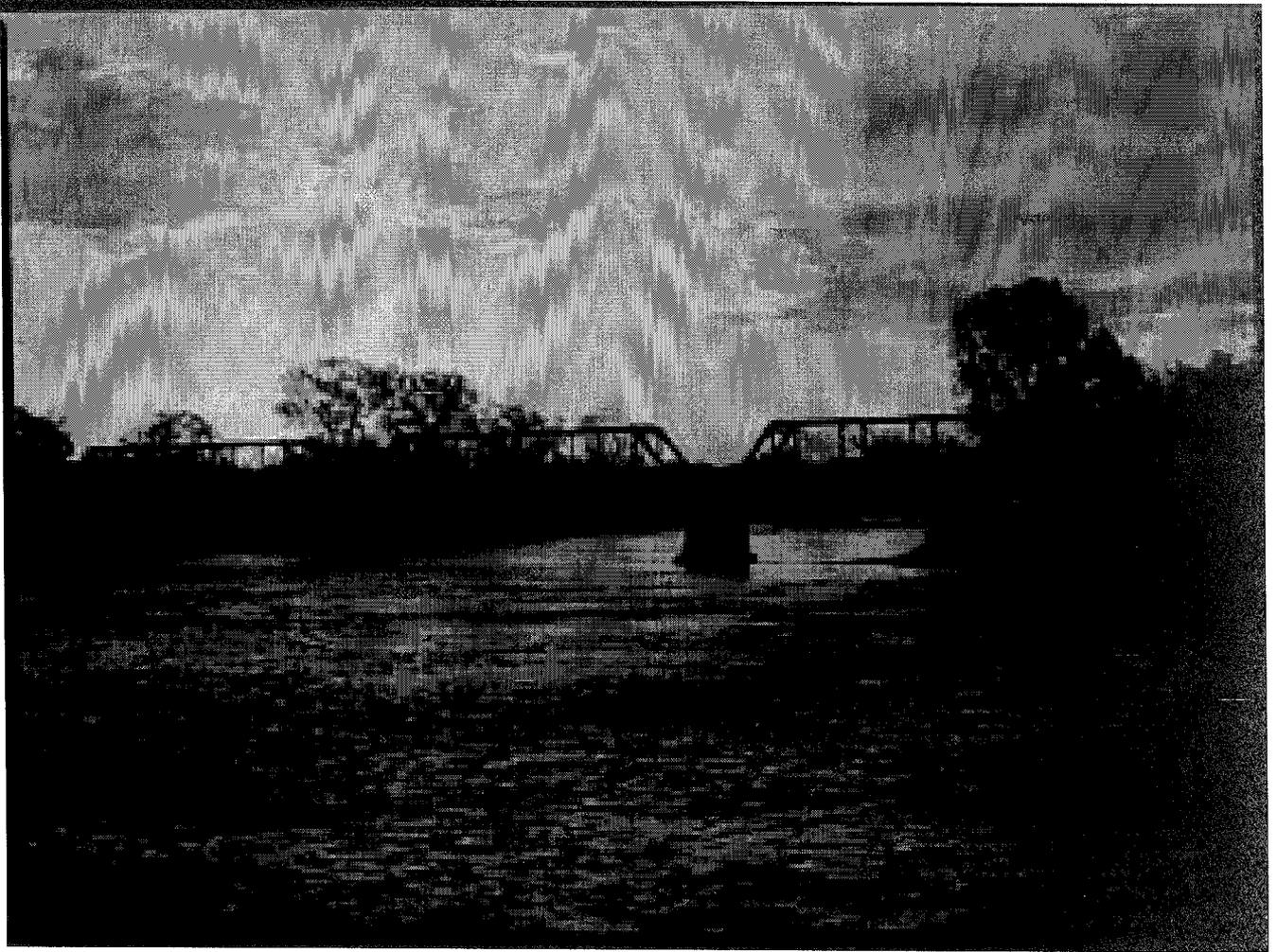
Business-type Activities- Enterprise Funds <u>Total</u>	Governmental Activities- Internal Service Funds <u>Service Funds</u>
\$ 3,744,372	\$ --
1,801,422	5,047,766
893,163	282,121
<u>\$ 6,438,957</u>	<u>\$ 5,329,887</u>
\$ 1,845,193	\$ 795,762
1,415,174	3,087,582
487,520	651,272
996,330	393,622
<u>\$ 4,744,217</u>	<u>\$ 4,928,238</u>
\$ 1,694,740	\$ 401,649
\$ 301,153	\$ 386,078
(265,692)	--
--	(21,532)
<u>\$ 35,461</u>	<u>\$ 364,546</u>
\$ 1,730,201	\$ 766,195
\$ 1,553,151	\$ --
698,508	40,855
(1,450,596)	--
<u>\$ 801,063</u>	<u>\$ 40,855</u>
\$ 2,531,264	\$ 807,050
35,554,153	11,298,520
<u>\$ 38,085,417</u>	<u>\$ 12,105,570</u>

City of Cedar Falls, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds <u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,858,188
Receipts from interfund services	--
Payments to suppliers	(1,480,575)
Payments to employees	(1,005,285)
Net cash provided by operating activities	<u>\$ 1,372,328</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 563,837
Transfers to other funds	(139,930)
Property taxes and assessments	5,563
Net cash provided by (used for) noncapital financing activities	<u>\$ 429,470</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net acquisition of property and equipment	\$ (2,892,483)
Capital contributions	1,553,151
Proceeds from bond sales	1,508,637
Principal paid on debt maturities	(1,350,000)
Interest paid	(255,222)
Net cash (used for) capital and related financing activities	<u>\$ (1,435,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>\$ 223,109</u>
Net increase (decrease) in cash	\$ 588,990
CASH BALANCES, Beginning	<u>6,914,981</u>
CASH BALANCES, Ending	<u><u>\$ 7,503,971</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 916,000
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	924,921
Change in assets and liabilities:	
(Increase) decrease in:	
Customer and other receivables	(4,374)
Inventories	(23,268)
Increase (decrease) in accounts payable, accrued and other liabilities	(440,951)
Net cash provided by operating activities	<u>\$ 1,372,328</u>

See notes to financial statements

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Refuse Fund	Total	
\$ 2,541,981	\$ 6,400,169	\$ --
--	--	5,061,813
(895,480)	(2,376,055)	(3,433,480)
(795,703)	(1,800,988)	(792,551)
<u>\$ 850,798</u>	<u>\$ 2,223,126</u>	<u>\$ 835,782</u>
\$ 134,671	\$ 698,508	\$ 40,855
(1,310,666)	(1,450,596)	--
--	5,563	--
<u>\$ (1,175,995)</u>	<u>\$ (746,525)</u>	<u>\$ 40,855</u>
\$ (118,423)	\$ (3,010,906)	\$ (493,762)
--	1,553,151	--
--	1,508,637	--
--	(1,350,000)	--
--	(255,222)	--
<u>\$ (118,423)</u>	<u>\$ (1,554,340)</u>	<u>\$ (493,762)</u>
<u>\$ 41,261</u>	<u>\$ 264,370</u>	<u>\$ 312,985</u>
\$ (402,359)	\$ 186,631	\$ 695,860
1,454,376	8,369,357	8,977,244
<u>\$ 1,052,017</u>	<u>\$ 8,555,988</u>	<u>\$ 9,673,104</u>
\$ 778,740	\$ 1,694,740	\$ 401,649
71,409	996,330	393,622
(34,414)	(38,788)	327
15,460	(7,808)	(23,620)
19,603	(421,348)	63,804
<u>\$ 850,798</u>	<u>\$ 2,223,126</u>	<u>\$ 835,782</u>



City of Cedar Falls

Cedar River

CITY OF CEDAR FALLS, IOWA
NOTES TO FINANCIAL STATEMENTS
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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cedar Falls is a municipal corporation governed by an elected mayor and seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented electric, gas, water, and communications utilities each have a December 31 year end.

Discretely Presented Component Units. The electric, gas, water, and communications utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Cedar Falls. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Cedar Falls Utilities
Utility Parkway
Cedar Falls, Iowa 50613

Jointly Governed Organizations. The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Black Hawk County Consolidated Public Safety Communications Center, Black Hawk County Solid Waste Management Commission, Black Hawk County Criminal Justice Information Systems and Metropolitan Transit Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual has been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *hospital fund* accounts for the lease income derived from Sartori Memorial Hospital.

The *street repair fund* accounts for local option sales tax received from the state to be used to repair streets.

The *street construction fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds

The *capital improvements fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *bond fund* accounts for all bond proceeds not related to proprietary funds and all the related capital projects associated with the bond sales.

The City reports the following major proprietary funds:

The *sewer fund* accounts for the operations and maintenance of the City's sanitary sewer system.

The *refuse* fund accounts for the operations and maintenance of the City's garbage collection.

Additionally, the City reports the following fund type:

Internal service funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. These include data processing, vehicle maintenance, health insurance, health insurance severance, payroll, and risk management activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's refuse and sewer functions and various other functions of the government. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the refuse fund, sewer fund, and the government's internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the Utility to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City and the Utility are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the other funds. These funds are Street Construction, Debt Service, and the Cemetery Perpetual Care Funds.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2006, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2005 and March 31, 2006. On July 1, 2005 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2005-2006 tax levy remitted to the City within sixty days subsequent to June 30, 2006, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2006, are delinquent and have been recorded as receivables and deferred revenue.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. Inventories

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories are recognized as expenditures when purchased. Inventories in the proprietary fund types and component unit are valued at the lower of first-in/first-out cost or market, except for fuel inventories of the Electric Utility, which are valued at the lower

of last-in/first-out method cost or market. The cost of proprietary fund type and component unit inventories are recognized as expenses when consumed.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond operation and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments. The "revenue bond improvement" account is used to report those proceeds of revenue bond issuances that are restricted to make up potential deficiencies in the revenue bond sinking account and the revenue bond reserve account, and to the extent not required for the forgoing, to pay the cost of extraordinary maintenance expenses and capital improvements. The "revenue bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond sinking account.

Certain assets of the component units are also restricted because of applicable bond provisions.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are defined by the government as equipment with initial, individual cost of \$2,500 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Computer Equipment	10 years	Streets	30 years
Equipment	10-30 years	Buildings	40-50 years
Office Equipment	10-30 years	Land Improvements	40 years
Vehicles	10-20 years	Storm Water	40 years
Parking Lots	15 years	Bridges	45 years
Furniture	20 years	Lift Stations	50 years
Large Vehicles	20-40 years	Sewer	50 years
Traffic Signals	20 years	Historic Buildings	100 years

6. *Compensated Absences*

City employees accumulate vacation, sick leave, and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay and a maximum of one-half of all unused sick leave may be paid upon termination of employment.

All severance is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absence liability has been computed based on rates of pay in effect on June 30, 2006.

7. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The state of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, recodified November 1971, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Department of Administrative Services who prepares, for the Mayor's consideration, a preliminary budget by January 1 of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and Director of Administrative Services is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the Mayor, Director of Administrative Services, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to

the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in nine functions- Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted two budget amendment resolutions during the year ended June 30, 2006.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the Department of Administrative Services.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the Department of Administrative Services and the Mayor. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by the Department of Administrative Services and the Mayor.

The City budgets all receipts, disbursements, and interfund and intrafund transfers on the cash basis plus recorded accounts payable. The budget amounts included in this report are the final cash basis budget for the year for all funds excluding the trust and agency funds, which are not budgeted for by the City. Budgeted interfund transfers and intrafund transfers have been eliminated in the following statement of program disbursements - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

B. Deficit Fund Balance

The Vision Iowa and the Sidewalk Assessment, nonmajor capital projects funds, have deficit fund balances of \$596,878 and \$2,110. The deficits are expected to be recovered through future state grant payments and property tax assessments respectively.

Note 3. Detailed Notes On All Funds

A. Deposits and Investments

The City's deposits in banks and credit unions at June 30, 2006 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Cash balances as of June 30, 2006, consist of the following:

Cash – unrestricted	\$ 71,892,505
Cash – restricted	799,000
	<u>\$ 72,691,505</u>

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

A reconciliation of cash as shown on the combined balance sheet for the primary government follows:

Carrying amount of deposits	\$ 72,691,505
Cash – Governmental Activities	\$ 64,135,517
Cash – Business-type Activities	7,756,988
Cash – Business-type Activities, restricted	799,000
Total	<u>\$ 72,691,505</u>

Interest Rate Risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit Risk: The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

The component units' deposits were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the entity or its agent in the entity's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Cash balances as of December 31, 2005, consist of the following:

	Electric Utility	Gas Utility	Water Utility	Communications Utility
Cash – unrestricted	\$ 5,692,717	\$ 3,789,202	\$ 604,519	\$ 237,391
Cash – restricted	2,533,627	280,000	--	70,888
	<u>\$ 8,226,344</u>	<u>\$ 4,069,202</u>	<u>\$ 604,519</u>	<u>\$ 308,279</u>

At year-end, the Component Units had the following investments and maturities:

Utility	Type of Investment	Investment Maturities (In Years)		
		Less than 1	1 to 3	Total
Electric:	U.S. government and agency securities	\$ 8,727,609	\$ 15,253,501	\$ 23,981,110
Gas:	U.S. government and agency securities	--	243,850	243,850
Water:	U.S. government and agency securities	--	956,300	956,300

A reconciliation of cash and investments as shown on the statement for net assets for the component units follows:

	Electric <u>Utility</u>	Gas <u>Utility</u>	Water <u>Utility</u>	Communications <u>Utility</u>
Carrying amount of deposits	\$ 8,226,344	\$ 4,069,202	\$ 604,519	\$ 308,279
Carrying amount of certificates	9,943,757	1,635,000	1,850,000	903,000
Carrying amount of investments	23,981,110	243,850	956,300	--
Total	\$ 42,151,211	\$ 5,948,052	\$ 3,410,819	\$ 1,211,279
Cash	\$ 5,692,717	\$ 3,789,202	\$ 604,519	\$ 237,391
Cash - Restricted	2,533,627	280,000	--	70,888
Investments:				
Certificates of deposit	7,952,227	1,635,000	1,850,000	--
U.S. government and agency securities	8,950,390	243,850	956,300	--
Certificates of deposit - restricted	1,991,530	--	--	903,000
U.S. government and agency securities - restricted	15,030,720	--	--	--
Total	\$ 42,151,211	\$ 5,948,052	\$ 3,410,819	\$ 1,211,279

B. Receivable

On June 30, 2006, the City has recorded a \$1,290,704 receivable for library contributions held by the Cedar Falls Civic Foundation. The funds will be used to support library services, therefore is reported as an asset to the General Fund.

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,702,243	\$ 0	\$ 17,613	\$ 12,684,630
Construction in progress	5,943,218	6,070,788	5,943,218	6,070,788
Total capital assets, not being depreciated	<u>\$ 18,645,461</u>	<u>\$ 6,070,788</u>	<u>\$ 5,960,831</u>	<u>\$ 18,755,418</u>
Capital assets, being depreciated:				
Buildings	\$ 24,471,960	\$ 80,214	\$ 171,257	\$ 24,380,917
Land improvements	3,139,752	6,902,824	68,805	9,973,771
Machinery and equipment	12,372,281	943,293	196,416	13,119,158
Infrastructure	111,253,499	4,563,874	--	115,817,373
Total capital assets, being depreciated	<u>\$ 151,237,492</u>	<u>\$ 12,490,205</u>	<u>\$ 436,478</u>	<u>\$ 163,291,219</u>
Less accumulated depreciation for:				
Buildings	\$ 4,415,771	\$ 612,158	\$ 156,195	\$ 4,871,734
Land improvements	1,368,994	208,181	38,939	1,538,236
Machinery and equipment	5,484,809	790,450	141,974	6,133,285
Infrastructure	38,543,381	3,661,026	--	42,204,407
Total accumulated depreciation	<u>\$ 49,812,955</u>	<u>\$ 5,271,815</u>	<u>\$ 337,108</u>	<u>\$ 54,747,662</u>
Total capital assets, being depreciated, net	<u>\$ 101,424,537</u>	<u>\$ 7,218,390</u>	<u>\$ 99,370</u>	<u>\$ 108,543,557</u>
Governmental activities capital asset, net	<u>\$ 120,069,998</u>	<u>\$ 13,289,178</u>	<u>\$ 6,060,201</u>	<u>\$ 127,298,975</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,319,264	\$ --	\$ --	\$ 1,319,264
Construction in progress	835,894	311,510	835,894	311,510
Total capital assets, not being depreciated	<u>\$ 2,155,158</u>	<u>\$ 311,510</u>	<u>\$ 835,894</u>	<u>\$ 1,630,774</u>
Capital assets, being depreciated:				
Buildings	\$ 11,437,649	\$ 7,839	\$ --	\$ 11,445,488
Machinery and equipment	4,067,049	1,824,234	44,537	5,846,746
Infrastructure	29,001,672	1,703,216	--	30,704,888
Total capital assets, being depreciated	<u>\$ 44,506,370</u>	<u>\$ 3,535,289</u>	<u>\$ 44,537</u>	<u>\$ 47,997,122</u>
Less accumulated depreciation for:				
Buildings	\$ 3,673,626	\$ 240,260	\$ --	\$ 3,913,886
Machinery and equipment	885,011	151,235	44,537	991,709
Infrastructure	8,575,381	604,835	--	9,180,216
Total accumulated depreciation	<u>\$ 13,134,018</u>	<u>\$ 996,330</u>	<u>\$ 44,537</u>	<u>\$ 14,085,811</u>
Total capital assets, being depreciated, net	<u>\$ 31,372,352</u>	<u>\$ 2,538,959</u>	<u>\$ --</u>	<u>\$ 33,911,311</u>
Business-type activities capital assets, net	<u>\$ 33,527,510</u>	<u>\$ 2,850,469</u>	<u>\$ 835,894</u>	<u>\$ 35,542,085</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 62,412
Public works	3,707,290
Health and social services	126,315
Culture and recreation	862,981
Community and economic development	72,166
General government	47,029
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	393,622
Total depreciation expense - governmental activities	<u>\$ 5,271,815</u>

Business-type activities

Sewer	\$ 924,921
Refuse	71,409
Total depreciation expense - business-type activities	<u>\$ 996,330</u>

Construction Commitments

The City has active construction projects as of June 30, 2006. At year-end the City's commitments with contractors are as follows:

	Project Authorization	Expended to Date	Remaining Commitment
Big Woods Recreation Trail	\$ 10,700	\$ 6,596	\$ 4,104
Cedar River Dam	830,420	567,786	262,634
College Street Culvert	48,000	15,123	32,877
Digester Upgrades	147,512	110,634	36,878
East Viking Road	321,000	234,870	86,130
Fire Station #2 Remodel	261,535	19,000	242,535
Lincoln Street Bridge	40,000	34,943	5,057
Refuse & Traffic Operations Building	72,500	54,375	18,125
Sidewalk Repair	100,260	74,982	25,278
Southwest Branch Dry Run Channel Improv.	39,500	16,630	22,870
Southwest Dry Run Creek	111,000	97,812	13,188
Street restoration	1,415,020	1,004,594	410,426
Street reconstruction	1,218,258	321,591	896,667
University Branch Dry Run Creek	38,500	31,722	6,778
West 1 st Street	75,600	8,665	66,935
West Viking Street	380,000	230,094	149,906
	<u>\$ 5,109,805</u>	<u>\$ 2,829,417</u>	<u>\$ 2,280,388</u>

Discretely Presented Component Units

Activity for the Electric Utility for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 991,703	\$ --	--	\$ 991,703
Construction in progress	11,118,528	17,932,702	6,475,560	22,575,670
Total capital assets, not being depreciated	<u>\$ 12,110,231</u>	<u>\$ 17,932,702</u>	<u>\$ 6,475,560</u>	<u>\$ 23,567,373</u>
Capital assets, being depreciated:				
Buildings	\$ 10,883,742	\$ 1,422,510	\$ 3,152	\$ 12,303,100
Land improvements	4,683	--	--	4,683
Machinery and equipment	14,420,302	1,042,244	454,195	15,008,351
Infrastructure	74,248,082	4,011,383	310,240	77,949,225
Total capital assets, being depreciated	<u>\$ 99,556,809</u>	<u>\$ 6,476,137</u>	<u>\$ 767,587</u>	<u>\$ 105,265,359</u>
Less accumulated depreciation	<u>58,601,755</u>	<u>2,935,418</u>	<u>715,488</u>	<u>60,821,685</u>
Total capital assets, being depreciated, net	<u>\$ 40,955,054</u>	<u>\$ 3,540,719</u>	<u>\$ 52,099</u>	<u>\$ 44,443,674</u>
Electric Utility capital assets, net	<u>\$ 53,065,285</u>	<u>\$ 21,473,421</u>	<u>\$ 6,527,659</u>	<u>\$ 68,011,047</u>

Activity for the Gas Utility for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 41,350	\$ --	\$ --	\$ 41,350
Construction in progress	429,567	969,884	1,307,012	92,439
Total capital assets, not being depreciated	<u>\$ 470,917</u>	<u>\$ 969,884</u>	<u>\$ 1,307,012</u>	<u>\$ 133,789</u>
Capital assets, being depreciated:				
Buildings	\$ 677,743	\$ 481,860	\$ --	\$ 1,159,603
Machinery and equipment	543,308	97,348	1,656	639,000
Infrastructure	15,211,173	728,513	121,464	15,818,222
Total capital assets, being depreciated	<u>\$ 16,432,224</u>	<u>\$ 1,307,721</u>	<u>\$ 123,120</u>	<u>\$ 17,616,825</u>
Less accumulated depreciation	<u>6,102,294</u>	<u>620,095</u>	<u>132,867</u>	<u>6,589,522</u>
Total capital assets, being depreciated, net	<u>\$ 10,329,930</u>	<u>\$ 687,626</u>	<u>\$ (9,747)</u>	<u>\$ 11,027,303</u>
Gas Utility capital assets, net	<u><u>\$ 10,800,847</u></u>	<u><u>\$ 1,657,510</u></u>	<u><u>\$ 1,297,265</u></u>	<u><u>\$ 11,161,092</u></u>

Activity for the Water Utility for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 63,581	\$ --	\$ --	\$ 63,581
Construction in progress	135,811	2,343,345	2,149,804	329,352
Total capital assets, not being depreciated	<u>\$ 199,392</u>	<u>\$ 2,343,345</u>	<u>\$ 2,149,804</u>	<u>\$ 392,933</u>
Capital assets, being depreciated:				
Buildings	\$ 235,364	\$ 194,774	\$ --	\$ 430,138
Machinery and equipment	369,460	22,337	580	391,217
Infrastructure	16,607,886	1,927,925	21,919	18,513,892
Total capital assets, being depreciated	<u>\$ 17,212,710</u>	<u>\$ 2,145,036</u>	<u>\$ 22,499</u>	<u>\$ 19,335,247</u>
Less accumulated depreciation	<u>5,766,778</u>	<u>402,299</u>	<u>18,950</u>	<u>6,150,127</u>
Total capital assets, being depreciated, net	<u>\$ 11,445,932</u>	<u>\$ 1,742,737</u>	<u>\$ 3,549</u>	<u>\$ 13,185,120</u>
Water Utility capital assets, net	<u><u>\$ 11,645,324</u></u>	<u><u>\$ 4,086,082</u></u>	<u><u>\$ 2,153,353</u></u>	<u><u>\$ 13,578,053</u></u>

Activity for the Communications Utility for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 66,088	\$ 1,163,134	\$ 1,095,567	\$ 133,655
Total capital assets, not being depreciated	<u>\$ 66,088</u>	<u>\$ 1,163,134</u>	<u>\$ 1,095,567</u>	<u>\$ 133,655</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 241,850	\$ 6,816	\$ --	\$ 248,666
Infrastructure	13,224,421	1,088,749	412,228	13,900,942
Total capital assets, being depreciated	\$ 13,466,271	\$ 1,095,565	\$ 412,228	\$ 14,149,608
Less accumulated depreciation	<u>6,197,308</u>	<u>1,201,525</u>	<u>390,846</u>	<u>7,007,987</u>
Total capital assets, being depreciated, net	<u>\$ 7,268,963</u>	<u>\$ (105,960)</u>	<u>\$ 21,382</u>	<u>\$ 7,141,621</u>
Communications Utility capital assets, net	<u><u>\$ 7,335,051</u></u>	<u><u>\$ 1,057,174</u></u>	<u><u>\$ 1,116,949</u></u>	<u><u>\$ 7,275,276</u></u>

D. Leases

Sartori Memorial Hospital

On January 1, 1997, the operations of Sartori Memorial Hospital (Hospital) were sold to Covenant Health Systems, Inc. As part of this sale, the City entered into a lease agreement with Sartori Memorial Hospital, Inc. (SMH), whereas the City will lease to SMH the land and buildings owned by the City and used in the Hospital's operations. The initial term of the lease shall be for a period of 25 years, with variable lease payments each year. The lease may be extended for up to three additional terms, with each additional term being for a period of five years. At the termination of this lease, Covenant Health Systems, Inc. will also pay to the City an amount of \$660,378, which represents the liability arising from accrued vacation of Hospital personnel as of December 31, 1996. The present value of this liability as of June 30, 2006, is recorded as a receivable and deferred revenue in the Hospital Fund in the amount of \$332,632.

Crystal Distribution Services

On November 12, 2001, the City entered into a lease agreement with Crystal Distribution Services, Inc. for the former Top Air building constructed in the City's industrial and technology park. The lease was amended on November 24, 2003. The lease agreement is for a period of twelve years with various monthly payments ranging from \$10,000 to \$20,000 payable to the City. Crystal Distribution Services will have the option to purchase the building upon expiration of the lease.

The leases for the Hospital and with Crystal Distribution Services are both being treated as operating leases by the City.

The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Hospital	Building
2007	\$ 31,796	\$ 143,100
2008	31,796	143,100
2009	31,796	143,100
2010	31,796	143,100
2011	31,796	143,100
2012 - 2016	158,978	417,375
2017 - 2021	158,975	--
Total	<u>\$ 476,933</u>	<u>\$ 1,132,875</u>

The capital assets being leased through the operating leases are as follows:

	Governmental Activities	
	Hospital	Building
Land	\$ 151,494	\$ --
Building	5,052,624	2,153,925
Less:		
Accumulated depreciation	(1,199,998)	(516,044)
Total	<u>\$ 4,004,120</u>	<u>\$ 1,637,881</u>

E. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$19,679,098, net of unamortized discount and unamortized deferred amount on refunding of \$160,902, are outstanding as of June 30, 2006. These bonds bear interest with rates ranging from 1.15% to 5.25%; mature in varying annual amounts through June 30, 2016; and were originally issued for \$27,730,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	2,190,000	687,142	710,000	109,514
2008	1,970,000	562,333	755,000	78,848
2009	1,860,000	492,668	165,000	56,198
2010	1,925,000	423,170	170,000	50,258
2011	2,045,000	349,585	180,000	44,095
2012 - 2016	6,085,000	686,218	1,000,000	116,173
2017 - 2018	785,000	46,023	--	--
Total	<u>\$ 16,860,000</u>	<u>\$ 3,247,139</u>	<u>\$ 2,980,000</u>	<u>\$ 455,086</u>

Tax Increment Financing Bonds

Unmatured tax increment financing bonds totaling \$6,365,918, net of unamortized discount and unamortized deferred amount on refunding of \$29,082, are outstanding as of June 30, 2006. These bonds bear interest with rates ranging from 2.50% to 4.70%; mature in varying annual amounts through June 30, 2014; and were originally issued for \$8,405,000. Annual debt service requirements to maturity for tax increment financing bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2007	850,000	229,274
2008	880,000	199,478
2009	905,000	168,203
2010	835,000	134,838
2011	870,000	104,740
2012 - 2014	2,055,000	132,316
Total	<u>\$ 6,395,000</u>	<u>\$ 968,849</u>

Revenue Bonds

Unmatured revenue bonds totaling \$3,400,850, net of unamortized discounts of \$19,150, are outstanding as of June 30, 2006. These bonds bear interest at rates of 2.00% to 5.50%; mature in varying annual amounts through June 30, 2012; and were originally issued for \$5,490,000.

The revenue bond ordinances require that certain cash and investment amounts be segregated into various restricted reserve accounts, and that these amounts be used only for the payment of principal and interest on the related bonds when due or for other purposes, as set forth in the bond ordinances. As of the reporting date of each fund, \$799,000 of cash and investments were segregated and included in the restricted reserve accounts.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2007	680,000	146,788
2008	690,000	116,368
2009	750,000	85,548
2010	780,000	51,528
2011	255,000	15,488
2012	265,000	8,348
Total	<u>\$ 3,420,000</u>	<u>\$ 424,068</u>

As of June 30, 2006, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated actual valuation of taxable property within the City	<u>\$ 1,737,456,552</u>
Debt limit - 5% of total actual valuation	\$ 86,872,828
Debt applicable to debt limit:	
General obligation bonds	26,235,000
General obligation bonds - component unit	<u>2,425,000</u>
Legal debt margin	<u>\$ 58,212,828</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2006, the City had no arbitrage liability.

During FY06, the City issued \$8,485,000 of general obligation bonds. \$5,650,000 of the bond proceeds were used to current refund the 1997B and 1998A series bond issuances. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$192,169 and a reduction of \$222,279 in future debt service payments. The remaining bond proceeds in the amount of \$2,835,000 were used for various projects including College Hill Streetscape, fire rescue truck, and Southwest & West Branches Dry Run Creek Improvements. During FY06, the City also issued \$1,515,000 of sewer general obligation bonds. These proceeds were used for digester upgrades and tourist park lift station improvements.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2006, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance Beginning of Year	Issued/ Incurred During Year	Redeemed/ Paid During Year	Balance End of Year	Amount Due Within One Year
Governmental Activities:						
General obligation bonds:						
Essential corporate purpose	1997	\$ 2,675,000	\$ --	\$ 2,675,000	\$ --	\$ --
Essential corporate purpose	1998	3,375,000	--	3,375,000	--	--
Essential corporate purpose	1999	50,000	--	10,000	40,000	10,000
Essential corporate purpose	1999	2,290,000	--	205,000	2,085,000	215,000
Essential corporate purpose	2002	2,805,000	--	430,000	2,375,000	355,000
Essential corporate purpose	2002	780,000	--	395,000	385,000	385,000
Essential corporate purpose	2002	1,060,000	--	360,000	700,000	355,000
Essential corporate purpose	2004	2,255,000	--	220,000	2,035,000	225,000
Essential corporate purpose	2004	825,000	--	70,000	755,000	75,000
Essential corporate purpose	2006		8,485,000	--	8,485,000	570,000
		<u>\$ 16,115,000</u>	<u>\$ 8,485,000</u>	<u>\$ 7,740,000</u>	<u>\$ 16,860,000</u>	<u>\$ 2,190,000</u>
Less unamortized discount		122,907	14,425	69,272	68,060	--
Less unamortized deferred amount on refunding		9,990	87,760	14,747	83,003	--
		<u>\$ 15,982,103</u>	<u>\$ 8,382,815</u>	<u>\$ 7,655,981</u>	<u>\$ 16,708,937</u>	<u>\$ 2,190,000</u>
Tax increment financing bonds:						
Tax increment financing	1999	\$ 370,000	--	\$ 85,000	\$ 285,000	\$ 90,000
Tax increment financing	2001	2,230,000	--	285,000	1,945,000	290,000
Tax increment financing	2004	4,625,000	--	460,000	4,165,000	470,000
		<u>\$ 7,225,000</u>	<u>\$ --</u>	<u>\$ 830,000</u>	<u>\$ 6,395,000</u>	<u>\$ 850,000</u>
Less unamortized discount		33,128	--	4,538	28,590	--
Less unamortized deferred amount on refunding		984	--	492	492	--
		<u>\$ 7,190,888</u>	<u>\$ --</u>	<u>\$ 824,970</u>	<u>\$ 6,365,918</u>	<u>\$ 850,000</u>
Governmental activity total long-term debt		<u>\$ 23,172,991</u>	<u>\$ 8,382,815</u>	<u>\$ 8,480,951</u>	<u>\$ 23,074,855</u>	<u>\$ 3,040,000</u>
Business-type activities						
General obligation bonds:						
Sewer	2002	\$ 2,160,000	\$ --	\$ 695,000	\$ 1,465,000	\$ 710,000
Sewer	2006	--	1,515,000	--	1,515,000	--
		<u>2,160,000</u>	<u>1,515,000</u>	<u>695,000</u>	<u>2,980,000</u>	<u>710,000</u>
Less unamortized discount		--	6,363	133	6,230	--
Less unamortized deferred amount on refunding		7,218	--	3,609	3,609	--
		<u>\$ 2,152,782</u>	<u>\$ 1,508,637</u>	<u>\$ 691,258</u>	<u>\$ 2,970,161</u>	<u>\$ 710,000</u>
Revenue bonds:						
Refunding	2002	\$ 2,395,000	\$ --	\$ 435,000	\$ 1,960,000	455,000
Sewer	2004	1,680,000	--	220,000	1,460,000	225,000
		<u>\$ 4,075,000</u>	<u>\$ --</u>	<u>\$ 655,000</u>	<u>\$ 3,420,000</u>	<u>\$ 680,000</u>
Less unamortized discount		23,452	--	4,302	19,150	--
		<u>\$ 4,051,548</u>	<u>\$ --</u>	<u>\$ 650,698</u>	<u>\$ 3,400,850</u>	<u>\$ 680,000</u>
Business-type activity total long-term debt		<u>\$ 6,204,330</u>	<u>\$ 1,508,637</u>	<u>\$ 1,341,956</u>	<u>\$ 6,371,011</u>	<u>\$ 1,390,000</u>

Revenue Bonds and Installment Agreements – Electric Utility

The Series 1999A, 1999B, 2003, and 2005 revenue bonds require annual principal payments, due December 1, and semiannual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 3.00% and 7.125%. The bonds are secured by the future net revenues of the Utility. Long-term debt matures and bears interest as follows:

Year Ending	Component Unit - Revenue Bonds	
	Principal	Interest
2006	1,395,000	1,683,462
2007	1,460,000	1,622,038
2008	1,525,000	1,557,341
2009	1,595,000	1,489,161
2010	1,670,000	1,414,140
2011 - 2015	9,590,000	5,836,419
2016 - 2020	11,775,000	3,714,192
2021 - 2024	10,435,000	1,083,085
	<u>\$ 39,445,000</u>	<u>\$ 18,399,838</u>

During 2005, the Utility issued \$24,975,000 of Series 2005 revenue bonds for the purpose of paying costs of improvements and extensions to the Utility, including the construction of generation and related transmission facilities to serve the Utility.

The bond resolution provides certain covenants relating to the collection, segregation, and distribution of revenues from customers; places certain restrictions on the future of borrowing and leasing or disposition of assets; and requires that minimum insurance coverage be maintained.

Debt Summary – Electric Utility

Long-term debt activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
Series 1999A	\$ 3,600,000	\$ --	\$ 350,000	\$ 3,250,000	\$ 375,000
Series 1999B	1,890,000	--	195,000	1,695,000	205,000
Series 2003	9,765,000	--	240,000	9,525,000	245,000
Series 2005	--	24,975,000	--	24,975,000	570,000
Total revenue bonds	<u>\$ 15,255,000</u>	<u>\$ 24,975,000</u>	<u>\$ 785,000</u>	<u>\$ 39,445,000</u>	<u>\$ 1,395,000</u>
Less: Unamortized discount	116,623	519,140	37,721	598,042	--
Add: Unamortized premium	--	167,843	6,591	161,252	--
Total long-term debt	<u>\$ 15,138,377</u>	<u>\$ 24,623,703</u>	<u>\$ 753,870</u>	<u>\$ 39,008,210</u>	<u>\$ 1,395,000</u>

Capital Loan Notes – Gas Utility

The Series 2005 capital loan notes require annual principal payments, due July 1, and semiannual interest payments, due January 1 and July 1. Interest rates throughout the term of the bonds and notes are in a range between 2.6% and 3.0%. The capital loan notes are secured by the future net revenues of the Utility. The capital loan notes mature and bear interest as follows:

<u>Year Ending</u>	<u>Component Unit - Capital Loan Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	560,000	52,464
2007	595,000	28,660
2008	400,000	12,000
	<u>\$ 1,555,000</u>	<u>\$ 93,124</u>

On March 9, 2005, the Utility issued \$1,555,000 gas utility revenue refunding capital loan notes, series 2005. The proceeds of the notes, as well as, the Utility's own funds were used for the redemption of the outstanding Series 1992 revenue bonds. The Utility expended \$1,825,000 to extinguish the debt.

The bond resolution provides certain covenants relating to the collection, segregation, and distribution of revenues from customers; places certain restrictions on the future of borrowing and leasing or disposition of assets; and requires that minimum insurance coverage be maintained.

Debt Summary – Gas Utility

Long-term debt activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds:					
Series 1992	2,325,000	--	2,325,000	--	--
Capital Loan Notes:					
Series 2005	--	1,555,000	--	1,555,000	560,000
Less:					
Unamortized discount	<u>5,775</u>	<u>3,110</u>	<u>6,900</u>	<u>1,985</u>	<u>--</u>
Total long-term debt	<u>\$ 2,319,225</u>	<u>\$ 1,551,890</u>	<u>\$ 2,318,100</u>	<u>\$ 1,553,015</u>	<u>\$ 560,000</u>

General Obligation Bonds – Communications Utility

All general obligation (G.O.) bonds have been issued by the City on behalf of the Utility. The G.O. bonds require annual principal payments, due December 1, and semiannual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 2.50% and 5.50%. The total debt service obligations over the remaining term of the bonds are as follows:

<u>Year Ending</u>	<u>Component Unit - G.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	355,000	93,128
2007	365,000	81,917
2008	385,000	69,579
2009	395,000	56,120
2010	410,000	41,445
2011 - 2015	515,000	58,375
	<u>\$ 2,425,000</u>	<u>\$ 400,564</u>

Capital Loan Notes – Communications Utility

The Series 1999 capital loan notes require annual principal payments, due December 1, and semiannual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 4.60% and 5.50%. The bonds are secured by the future net revenues of the Utility. The bonds mature and bear interest as follows:

<u>Year Ending</u>	<u>Component Unit - Capital Loan Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	255,000	147,532
2007	270,000	135,293
2008	285,000	122,062
2009	295,000	107,813
2010	310,000	92,768
2011 - 2014	1,415,000	197,763
	<u>\$ 2,830,000</u>	<u>\$ 803,231</u>

The bond resolution provides certain covenants relating to the collection, segregation, and distribution of revenues from customers; places certain restrictions on the future of borrowing and leasing or disposition of assets; and requires that minimum insurance coverage be maintained.

The Board of Trustees of the Municipal Electric Utility authorized a loan to be extended to the Utility under Resolution No. 2759, 2840, 2939, 2994, and 3086. The December 31, 2005 outstanding balance on this loan was \$2,033,090, bearing interest as 3.1%. The Board of Trustees of the Municipal Electric Utility approved a loan to be extended to the Utility under Resolution No. 3497. The December 31, 2005 outstanding balance on this loan was \$750,000, bearing interest at 3.10%.

Debt Summary – Communications Utility

Long-term debt activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bond:					
Series 1998	\$ 515,000	\$ --	\$ 35,000	\$ 480,000	\$ 35,000
Series 1999	515,000	--	40,000	475,000	45,000
Series 2002	1,730,000	--	260,000	1,470,000	275,000
Series 1999 capital loan notes	3,075,000	--	245,000	2,830,000	255,000
	<u>\$ 5,835,000</u>	<u>\$ --</u>	<u>\$ 580,000</u>	<u>\$ 5,255,000</u>	<u>\$ 610,000</u>
Less: unamortized discount on debt	4,974	--	1,083	3,891	--
Add: unamortized premium on debt	2,181	--	2,856	(675)	--
	<u>\$ 5,832,207</u>	<u>\$ --</u>	<u>\$ 581,773</u>	<u>\$ 5,250,434</u>	<u>\$ 610,000</u>

F. Long-term Liabilities

Accrued Compensated Absences

Following is a summary of the City's activity for accrued compensated absences for the year-ended June 30, 2006, and the total liability of the City as of that date as reported on the government-wide statement of net assets:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Payable Within One Year
Governmental activities	<u>\$ 2,320,525</u>	<u>\$ 585,332</u>	<u>\$ 519,445</u>	<u>\$ 2,386,412</u>	<u>\$ 573,599</u>
Business-type activities	<u>\$ 328,999</u>	<u>\$ 108,791</u>	<u>\$ 70,367</u>	<u>\$ 367,423</u>	<u>\$ 88,851</u>

The majority of compensated absences expenditures are paid for out of the General Fund. On July 1, 2004 the City instituted a new severance program. The new program will allow non-union employees hired after July 1, 1989 to accumulate sick leave. This accumulation may then be used by the employee for health insurance costs upon their termination with the city.

Contracts Payable

During FY04 the City entered into an agreement to purchase a total of 180 acres of land at an approximate total cost of \$1.8 million. The contract includes 3 installments of 60 acres or \$600,000 per installment. The City paid the first installment in FY04 and the second installment in FY05. Following is a summary of the City's activity for contracts payable for the year-ended June 30, 2006, and the total liability of the City as of that date as reported on the government-wide statement of net assets:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Amount Payable Within One Year</u>
Governmental activities	<u>\$ 600,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 600,000</u>	<u>\$ --</u>

G. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements.

Transfer To	Transfer From	Amount
General Fund	Hospital Fund	\$ 11,000
	Street Construction Fund	435,529
	Capital Improvements Fund	38,850
	Non-major Governmental Funds	98,778
	Sewer Fund	76,240
	Refuse Fund	97,820
		<u>758,217</u>
Street Construction Fund	Refuse Fund	10,080
Debt Service Fund	General Fund	762,500
	Street Construction Fund	286,160
		<u>1,048,660</u>
Capital Improvements Fund	General Fund	73,167
	Debt Service	318,653
	Bond Fund	25,000
	Non-major Governmental Funds	182,599
	Refuse Fund	1,202,766
		<u>1,802,185</u>
Bond Fund	Non-major Governmental Funds	721,869
Non-major Governmental Funds	General Fund	149,904
	Debt Service Fund	1,508,842
		<u>1,658,746</u>
Internal Service Fund	Bond Fund	32,773
	Capital Improvements Fund	8,082
		<u>40,855</u>
Sewer Fund	Debt Service	434,302
	Bond Fund	97,813
	Capital Improvements Fund	31,722
		<u>563,837</u>
Refuse Fund	Street Construction Fund	70,981
	Sewer Fund	63,690
		<u>134,671</u>
	Total	<u>\$ 6,739,120</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move debt service payments from proprietary or special revenue funds to the debt service fund as debt service payments come due, and (3) to move receipts from user fee generated funds to the general fund for certain administrative and custodial costs in the general fund.

H. Interfund Balances

Individual interfund receivable and payable balances by fund type as of June 30, 2006, were stated in the fund financial statements as follows:

Fund	Total	
	Interfund Receivables	Interfund Payables
Nonmajor Governmental Funds	\$ 598,988	\$ 598,988

The balances are due to the elimination of reporting negative cash.

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$432,844, \$407,865, and \$395,600 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 28.21% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2006, 2005, and 2004 were \$961,066, \$824,382, and \$641,611 respectively, which met the required minimum contribution for each year.

B. Due To/From Component Unit

Amounts due from the component unit to the general fund at June 30, 2006, were as follows:

	<u>Due from</u>
Component Unit:	
Electric utility	\$ 600,000
Gas Utility	100,000
Total	<u>\$ 700,000</u>

This amount differs from the amount reported as due to primary government since the Electric Utility and Gas Utility component units have a calendar year end of December 31, 2005.

C. Related Party Transactions

During the fiscal year ended June 30, 2003, the Black Hawk County Solid Waste Management Commission, which is a jointly governed organization, passed a resolution for annual distributions of its excess funds. The prorated share for the City of Cedar Falls is estimated at \$564,721 to be received each year for the next fifteen years. The payments received in fiscal years ended June 30, 2003, 2004, 2005 and 2006 have been recorded in the Refuse Fund as other operating revenue.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government has established various funds to account for and finance its uninsured risks of loss.

The City has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents, which is included in the internal service fund type. Health benefits were self-insured up to a specific stop loss amount of \$85,000 and an aggregate stop loss of approximately \$2,530,554 for 2006. Coverage from a private insurance company is maintained for losses in excess of the stop loss amounts. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate.

All funds of the City participate in the program and make payments to the Health Insurance Reserve Fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims. The City has also established reserve funds for insuring workers' compensation, liability, and long-term disability claims which are included in the general fund type. Liability benefits were self-insured up to a specific stop loss amount of \$100,000 and an aggregate stop loss amount of \$260,000. Long-term disability benefits are self funded for the first six months, and the maximum benefit per individual is \$18,000. Workers' compensation benefits were self-insured up to an aggregate stop loss amount of \$350,000 with no specific stop loss amount. Coverage from private insurers is maintained for losses in excess of the stop loss amounts. An independent claims administrator performs all claims handling procedures.

Settled claims for the above funds have not exceeded commercial coverage in any of the last three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim

adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

Changes in reported liabilities for the fiscal year ended June 30, 2006, are summarized as follows:

	Risk Management Fund				Total
	Health Insurance Reserve Fund	Workers' Compensation Reserve	Liability Reserve	Long-Term Disability Reserve	
Claim liabilities					
June 30, 2004	\$ 338,491	\$ 1,004,721	\$ --	\$ --	\$ 1,343,212
Claims and changes in estimates during fiscal year 2005	1,811,181	367,629	--	--	2,178,810
Claim payments	(1,896,866)	(221,436)	--	--	(2,118,302)
Claim liabilities					
June 30, 2005	\$ 252,806	\$ 1,150,914	\$ --	\$ --	\$ 1,403,720
Claims and changes in estimates during fiscal year 2006	1,707,599	458,875	--	--	2,166,474
Claim payments	(1,666,005)	(513,862)	--	--	(2,179,867)
Claim liabilities					
June 30, 2006	<u>\$ 294,400</u>	<u>\$ 1,095,927</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,390,327</u>

E. Commitments and Contingencies

Legal counsel has reported that as of June 30, 2006, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that all of these claims and losses will be covered by insurance when exceeding stop loss limits, and the amounts prior to reaching these limits would not materially affect future financial statements of the City.

F. Subsequent Events

Starting in FY07, part time employees will be receiving pro-rated vacation, sick-leave, and floating holiday pay. This will have an effect on the City's accrued compensated absences liability.

G. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the City of Cedar Falls. The statements, which might impact the City of Cedar Falls, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ended June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ended June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for the fiscal year ended June 30, 2006.

The City's management has not yet determined the effect these statements will have on the City's financial statements.



City of Cedar Falls College Hill Arts Festival

City of Cedar Falls, Iowa
Budgetary Comparison Schedule - Function Budget
For the Year Ended June 30, 2006

	Budgeted Amounts	
	Original	Final
Revenues:		
Property taxes and assessments	\$ 17,219,737	\$ 17,219,737
Other City taxes	4,102,529	4,128,719
Licenses and permits	751,000	839,700
Use of money and property	1,330,510	1,330,510
Intergovernmental	8,965,130	9,187,330
Charges for services	7,643,650	7,934,690
Miscellaneous	2,175,204	6,981,314
Total revenues	\$ 42,187,760	\$ 47,622,000
Expenditures:		
Current:		
Public safety	\$ 7,312,350	\$ 7,472,840
Public works	8,232,410	8,255,760
Health and social services	226,650	1,045,650
Culture and recreation	4,851,550	5,508,450
Community and economic development	2,190,400	2,345,400
General government	3,913,360	3,913,360
Debt service	4,310,900	10,310,900
Capital projects	5,401,850	15,791,850
Business-type	11,478,320	11,978,320
Total expenditures	\$ 47,917,790	\$ 66,622,530
Excess (deficiency) of revenues over (under) expenditures	\$ (5,730,030)	\$ (19,000,530)
Other financing sources (uses):		
Proceeds from long-term debt	\$ 1,700,000	\$ 8,400,000
Transfers in	9,069,410	9,069,410
Transfers out	(9,069,410)	(9,069,410)
Total other financing sources (uses)	\$ 1,700,000	\$ 8,400,000
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	\$ (4,030,030)	\$ (10,600,530)
Fund balances, beginning	51,008,054	51,008,054
Fund balances, ending	\$ 46,978,024	\$ 40,407,524

See notes to the required supplementary information.

Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 17,218,537	\$ (1,200)
4,659,555	530,836
982,954	143,254
2,677,556	1,347,046
8,920,991	(266,339)
8,029,354	94,664
4,337,864	(2,643,450)
<u>\$ 46,826,811</u>	<u>\$ (795,189)</u>
\$ 7,155,622	\$ 317,218
7,526,523	729,237
199,164	846,486
5,254,559	253,891
2,343,559	1,841
3,837,713	75,647
9,916,006	394,894
12,201,086	3,590,764
7,882,841	4,095,479
<u>\$ 56,317,073</u>	<u>\$ 10,305,457</u>
<u>\$ (9,490,262)</u>	<u>\$ 9,510,268</u>
\$ 9,961,628	\$ 1,561,628
17,900,415	8,831,005
(17,900,415)	(8,831,005)
<u>\$ 9,961,628</u>	<u>\$ 1,561,628</u>
\$ 471,366	\$ 11,071,896
60,402,568	9,394,514
<u>\$ 60,873,934</u>	<u>\$ 20,466,410</u>

City of Cedar Falls, Iowa

**Notes to Required Supplementary Information – Budgetary Reporting
For the Year ended June 30, 2006**

Note A - Budgetary Reporting

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis plus recorded accounts payable following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$18,704,740. These budget amendments are reflected in the final budget amounts.

Note B - Explanation of Differences between Budgetary Sources and Uses of funds and GAAP Revenues and Expenditures for the GAAP General Fund and Major Special Revenue Funds

	<u>Function Budget</u>
Sources	
Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule - function budget	\$ 46,826,811
Adjustments:	
The City budgets for all receipts on the cash basis, rather than the modified accrual or accrual basis	(3,166,667)
Total revenues for the function budget on a GAAP basis of accounting	<u>\$ 43,660,144</u>
Reclassifications:	
The City reports sources of funds in the function budget as revenues in other major and nonmajor funds for GAAP reporting:	
Debt Service Fund	(5,037,954)
Capital Improvements capital projects Fund	(935,968)
Bond capital projects Fund	(584,751)
Nonmajor governmental GAAP funds	(5,250,109)
Business-type enterprise funds	(6,438,957)
Total revenues for general fund and major special revenue funds	<u>\$ 25,412,405</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds:	
General Fund	\$ 17,292,575
Hospital Fund	630,000
Street Repair Fund	4,402,150
Street Construction Fund	3,087,680
Total revenues for general fund and major special revenue funds	<u>\$ 25,412,405</u>

**Function
Budget**

Uses

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule - function budget \$ 56,317,073

Adjustments

The City budgets for expenditures on the cash basis, rather than on the modified accrual or accrual basis on all items except payments to suppliers

The city does not budget for depreciation (11,658,392)

Total uses for the function budget on a GAAP basis of accounting \$ 44,658,681

Reclassifications:

The City reports uses of funds in the function budget as expenditures in other major and nonmajor funds for GAAP reporting:

Debt Service Fund	(3,832,948)
Capital Improvements capital projects Fund	(4,256,424)
Bond capital projects Fund	(3,384,488)
Nonmajor governmental GAAP funds	(5,786,063)
Business-type enterprise funds	(4,744,217)

Total expenditures for general fund and major special revenue funds \$ 22,654,541

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds:

General Fund	\$ 16,361,817
Hospital Fund	168,739
Street Repair Fund	3,368,584
Street Construction Fund	2,755,401

Total expenditures for general fund and major special revenue funds \$ 22,654,541



City of Cedar Falls

UNI Dome

City of Cedar Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Page 1 of 3)

	Special Revenue		
	Block Grant Police	Community Development Fund	Housing Assistance Fund
ASSETS			
Cash	\$ --	\$ 6,177	\$ 812,769
Receivables, net of allowance for uncollectible amounts:			
Property taxes	--	--	--
Other city taxes	--	--	--
Accrued interest	--	--	--
Special assessments	--	--	--
Other	--	--	--
Due from other funds	--	--	--
Due from other governments	--	137,417	--
Inventories	--	--	--
Total assets	<u>\$ --</u>	<u>\$ 143,594</u>	<u>\$ 812,769</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ --	\$ 24,405	\$ 8,219
Accrued liabilities	--	3,322	2,554
Deferred revenue	--	50,483	--
Due to other funds	--	--	--
Total liabilities	<u>\$ --</u>	<u>\$ 78,210</u>	<u>\$ 10,773</u>
FUND BALANCES			
Reserved for:			
Employee retirement system	\$ --	\$ --	\$ --
Inventories	--	--	--
Unreserved, undesignated, reported in:			
Special revenue funds	--	65,384	801,996
Capital projects funds	--	--	--
Total fund balances (deficit)	<u>\$ --</u>	<u>\$ 65,384</u>	<u>\$ 801,996</u>
Total liabilities and fund balances	<u>\$ --</u>	<u>\$ 143,594</u>	<u>\$ 812,769</u>

Special Revenue

Recreation & Public Safety Fund	Cable Television	Cultural Services	Parking Fund	Police Retirement	Fire Retirement
\$ 585,142	\$ 682,442	\$ 106,464	\$ 663,328	\$ 2,938,273	\$ 2,594,500
--	--	--	--	432,191	324,143
--	--	--	--	--	--
7,584	9,408	1,308	9,900	17,724	13,612
--	--	--	--	--	--
--	87,574	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	2,567	--	--
<u>\$ 592,726</u>	<u>\$ 779,424</u>	<u>\$ 107,772</u>	<u>\$ 675,795</u>	<u>\$ 3,388,188</u>	<u>\$ 2,932,255</u>
\$ 5,177	\$ 24,594	\$ --	\$ 7,092	\$ --	\$ --
--	6,793	--	2,269	--	--
--	--	--	--	428,724	321,543
--	--	--	--	--	--
<u>\$ 5,177</u>	<u>\$ 31,387</u>	<u>\$ --</u>	<u>\$ 9,361</u>	<u>\$ 428,724</u>	<u>\$ 321,543</u>
\$ --	\$ --	\$ --	\$ --	\$ 2,959,464	\$ 2,610,712
--	--	--	2,567	--	--
587,549	748,037	107,772	663,867	--	--
--	--	--	--	--	--
<u>\$ 587,549</u>	<u>\$ 748,037</u>	<u>\$ 107,772</u>	<u>\$ 666,434</u>	<u>\$ 2,959,464</u>	<u>\$ 2,610,712</u>
<u>\$ 592,726</u>	<u>\$ 779,424</u>	<u>\$ 107,772</u>	<u>\$ 675,795</u>	<u>\$ 3,388,188</u>	<u>\$ 2,932,255</u>

(continued)

City of Cedar Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Page 2 of 3)

	Special Revenue		
	Visitor & Tourism	Community Center & Sr Services	Greenwood Perpetual Care
ASSETS			
Cash	\$ 245,734	\$ 43,699	\$ 165,446
Receivables, net of allowance for uncollectible amounts:			
Property taxes	--	--	--
Other city taxes	68,232	--	--
Accrued interest	1,928	817	--
Special assessments	--	--	--
Other	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Inventories	18,171	--	--
Total assets	\$ 334,065	\$ 44,516	\$ 165,446
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 24,110	\$ 3,236	\$ --
Accrued liabilities	4,136	380	--
Deferred revenue	68,232	--	--
Due to other funds	--	--	--
Total liabilities	\$ 96,478	\$ 3,616	\$ --
FUND BALANCES			
Reserved for:			
Employee retirement system	\$ --	\$ --	\$ --
Inventories	18,171	--	--
Unreserved, undesignated, reported in:			
Special revenue funds	219,416	40,900	165,446
Capital projects funds	--	--	--
Total fund balances (deficit)	\$ 237,587	\$ 40,900	\$ 165,446
Total liabilities and fund balances	\$ 334,065	\$ 44,516	\$ 165,446

(continued)

Special Revenue		Capital Projects			
Fairview Perpetual Care	Hillside Perpetual Care	Washington Park Renovation	FEMA	Flood Reserve	Vision Iowa
\$ 87,628	\$ 27,683	\$ 25,666	\$ 348,046	\$ 142,344	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	--	355	4,822	2,322	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	596,878
--	--	--	--	--	--
<u>\$ 87,628</u>	<u>\$ 27,683</u>	<u>\$ 26,021</u>	<u>\$ 352,868</u>	<u>\$ 144,666</u>	<u>\$ 596,878</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	596,878
--	--	--	--	--	596,878
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,193,756</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
87,628	27,683	--	--	--	--
--	--	26,021	352,868	144,666	(596,878)
<u>\$ 87,628</u>	<u>\$ 27,683</u>	<u>\$ 26,021</u>	<u>\$ 352,868</u>	<u>\$ 144,666</u>	<u>\$ (596,878)</u>
<u>\$ 87,628</u>	<u>\$ 27,683</u>	<u>\$ 26,021</u>	<u>\$ 352,868</u>	<u>\$ 144,666</u>	<u>\$ 596,878</u>

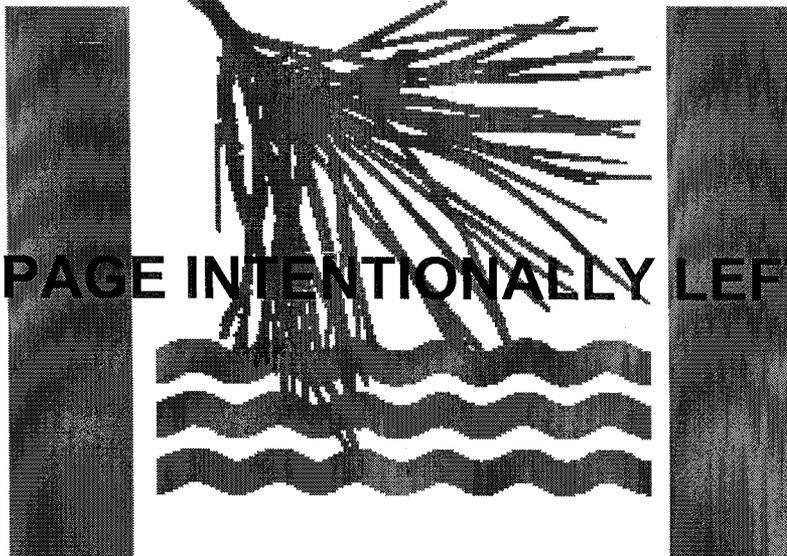
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City of Cedar Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Page 3 of 3)

	Capital Projects		Total
	Sidewalk Assessment	Economic Development Capital	
ASSETS			
Cash	\$ --	\$ 2,316,463	\$ 11,791,804
Receivables, net of allowance for uncollectible amounts:			
Property taxes	--	--	756,334
Other city taxes	--	--	68,232
Accrued interest	--	31,948	101,728
Special assessments	178	--	178
Other	--	11,925	99,499
Due from other funds	--	598,988	598,988
Due from other governments	--	--	734,295
Inventories	--	--	20,738
Total assets	<u>\$ 178</u>	<u>\$ 2,959,324</u>	<u>\$ 14,171,796</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ --	\$ 605,301	\$ 702,134
Accrued liabilities	--	--	19,454
Deferred revenue	178	--	1,466,038
Due to other funds	2,110	--	598,988
Total liabilities	<u>\$ 2,288</u>	<u>\$ 605,301</u>	<u>\$ 2,786,614</u>
FUND BALANCES			
Reserved for:			
Employee retirement system	\$ --	\$ --	\$ 5,570,176
Inventories	--	--	20,738
Unreserved, undesignated, reported in:			
Special revenue funds	--	--	3,515,678
Capital projects funds	(2,110)	2,354,023	2,278,590
Total fund balances (deficit)	<u>\$ (2,110)</u>	<u>\$ 2,354,023</u>	<u>\$ 11,385,182</u>
Total liabilities and fund balances	<u>\$ 178</u>	<u>\$ 2,959,324</u>	<u>\$ 14,171,796</u>

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Town

City of Cedar Falls, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006
(Page 1 of 3)

	Special Revenue		
	Block Grant Police	Community Development Fund	Housing Assistance Fund
Revenues:			
Property taxes and assessments	\$ --	\$ --	\$ --
Other city taxes	--	--	--
Use of money and property	9	--	22,956
Intergovernmental	--	486,246	1,695,916
Charges for services	--	--	--
Fines and forfeitures	--	--	--
Miscellaneous	--	--	4,144
Total revenues	<u>\$ 9</u>	<u>\$ 486,246</u>	<u>\$ 1,723,016</u>
Expenditures:			
Current:			
Public safety	\$ 6,413	\$ --	\$ --
Public works	--	--	--
Culture and recreation	--	--	--
Community and economic development	--	422,240	1,282,361
General government	--	--	--
Capital projects	--	--	--
Total expenditures	<u>\$ 6,413</u>	<u>\$ 422,240</u>	<u>\$ 1,282,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,404)</u>	<u>\$ 64,006</u>	<u>\$ 440,655</u>
Other financing sources (uses):			
Transfers in	\$ --	\$ --	\$ --
Transfers out	--	--	--
Total other financing sources (uses)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Net change in fund balances	\$ (6,404)	\$ 64,006	\$ 440,655
Fund balances, beginning	6,404	1,378	361,341
Increase (decrease) in reserve for inventories	--	--	--
Fund balances, ending	<u>\$ --</u>	<u>\$ 65,384</u>	<u>\$ 801,996</u>

Special Revenue

Recreation & Public Safety Fund	Cable Television	Cultural Services	Parking Fund	Police Retirement	Fire Retirement
\$ --	\$ --	\$ --	\$ --	\$ 395,337	\$ 276,308
--	--	--	--	--	--
22,289	28,170	3,080	28,915	122,135	105,427
--	--	--	--	--	--
161,788	340,862	--	39,621	--	--
12,350	--	--	292,228	--	--
--	420	18,736	--	--	--
<u>\$ 196,427</u>	<u>\$ 369,452</u>	<u>\$ 21,816</u>	<u>\$ 360,764</u>	<u>\$ 517,472</u>	<u>\$ 381,735</u>
\$ 7,281	\$ --	\$ --	\$ --	\$ 535,617	\$ 425,012
--	--	--	288,638	--	--
285,395	--	5,448	--	--	--
--	--	--	--	--	--
--	238,289	--	--	--	--
--	--	--	--	--	--
<u>\$ 292,676</u>	<u>\$ 238,289</u>	<u>\$ 5,448</u>	<u>\$ 288,638</u>	<u>\$ 535,617</u>	<u>\$ 425,012</u>
<u>\$ (96,249)</u>	<u>\$ 131,163</u>	<u>\$ 16,368</u>	<u>\$ 72,126</u>	<u>\$ (18,145)</u>	<u>\$ (43,277)</u>
\$ 16,026	\$ --	\$ --	\$ --	\$ --	\$ --
(82,600)	(42,060)	--	(12,090)	--	--
<u>\$ (66,574)</u>	<u>\$ (42,060)</u>	<u>\$ --</u>	<u>\$ (12,090)</u>	<u>\$ --</u>	<u>\$ --</u>
\$ (162,823)	\$ 89,103	\$ 16,368	\$ 60,036	\$ (18,145)	\$ (43,277)
750,372	658,934	91,404	606,111	2,977,609	2,653,989
--	--	--	287	--	--
<u>\$ 587,549</u>	<u>\$ 748,037</u>	<u>\$ 107,772</u>	<u>\$ 666,434</u>	<u>\$ 2,959,464</u>	<u>\$ 2,610,712</u>

(continued)

City of Cedar Falls, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006
(Page 2 of 3)

	Special Revenue		
	Visitor & Tourism	Community Center & Sr Services	Greenwood Perpetual Care
Revenues:			
Property taxes and assessments	\$ --	\$ --	\$ --
Other city taxes	261,267	--	--
Use of money and property	5,909	22,363	--
Intergovernmental	--	--	--
Charges for services	--	4,490	6,492
Fines and forfeitures	--	--	--
Miscellaneous	21,684	44,185	--
Total revenues	<u>\$ 288,860</u>	<u>\$ 71,038</u>	<u>\$ 6,492</u>
Expenditures:			
Current:			
Public safety	\$ --	\$ --	\$ --
Public works	--	--	--
Culture and recreation	248,552	45,116	--
Community and economic development	--	--	--
General government	--	--	--
Capital projects	--	--	--
Total expenditures	<u>\$ 248,552</u>	<u>\$ 45,116</u>	<u>\$ --</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 40,308</u>	<u>\$ 25,922</u>	<u>\$ 6,492</u>
Other financing sources (uses):			
Transfers in	\$ 63,878	\$ --	\$ --
Transfers out	(10,506)	(14,121)	--
Total other financing sources (uses)	<u>\$ 53,372</u>	<u>\$ (14,121)</u>	<u>\$ --</u>
Net change in fund balances	\$ 93,680	\$ 11,801	\$ 6,492
Fund balances, beginning	144,022	29,099	158,954
Increase (decrease) in reserve for inventories	(115)	--	--
Fund balances, ending	<u>\$ 237,587</u>	<u>\$ 40,900</u>	<u>\$ 165,446</u>

(continued)

Special Revenue		Capital Projects			
Fairview Perpetual Care	Hillside Perpetual Care	Washington Park Renovation	FEMA	Flood Reserve	Vision Iowa
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	1,065	14,450	7,038	--
--	--	--	--	--	--
4,924	2,352	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ 4,924</u>	<u>\$ 2,352</u>	<u>\$ 1,065</u>	<u>\$ 14,450</u>	<u>\$ 7,038</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	89,490
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 89,490</u>
<u>\$ 4,924</u>	<u>\$ 2,352</u>	<u>\$ 1,065</u>	<u>\$ 14,450</u>	<u>\$ 7,038</u>	<u>\$ (89,490)</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	(100,000)	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (100,000)</u>	<u>\$ --</u>
\$ 4,924	\$ 2,352	\$ 1,065	\$ 14,450	\$ (92,962)	\$ (89,490)
82,704	25,331	24,956	338,418	237,628	(507,388)
--	--	--	--	--	--
<u>\$ 87,628</u>	<u>\$ 27,683</u>	<u>\$ 26,021</u>	<u>\$ 352,868</u>	<u>\$ 144,666</u>	<u>\$ (596,878)</u>

(continued)

City of Cedar Falls, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006
(Page 3 of 3)

	Capital Projects		Total
	Sidewalk Assessment	Economic Development Capital	
Revenues:			
Property taxes and assessments	\$ 192	\$ --	\$ 671,837
Other city taxes	--	--	261,267
Use of money and property	--	247,166	630,972
Intergovernmental	--	486,097	2,668,259
Charges for services	--	--	560,529
Fines and forfeitures	--	--	304,578
Miscellaneous	--	63,498	152,667
Total revenues	<u>\$ 192</u>	<u>\$ 796,761</u>	<u>\$ 5,250,109</u>
Expenditures:			
Current:			
Public safety	\$ --	\$ --	\$ 974,323
Public works	--	--	288,638
Culture and recreation	--	--	584,511
Community and economic development	--	--	1,704,601
General government	--	--	238,289
Capital projects	--	1,906,211	1,995,701
Total expenditures	<u>\$ --</u>	<u>\$ 1,906,211</u>	<u>\$ 5,786,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 192</u>	<u>\$ (1,109,450)</u>	<u>\$ (535,954)</u>
Other financing sources (uses):			
Transfers in	\$ --	\$ 1,578,842	\$ 1,658,746
Transfers out	--	(741,869)	(1,003,246)
Total other financing sources (uses)	<u>\$ --</u>	<u>\$ 836,973</u>	<u>\$ 655,500</u>
Net change in fund balances	\$ 192	\$ (272,477)	\$ 119,546
Fund balances, beginning	(2,302)	2,626,500	11,265,464
Increase (decrease) in reserve for inventories	--	--	172
Fund balances, ending	<u>\$ (2,110)</u>	<u>\$ 2,354,023</u>	<u>\$ 11,385,182</u>

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Iowa

City of Cedar Falls, Iowa
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Health Insurance	Health Insurance Severance	Payroll
ASSETS			
Current assets:			
Cash	\$ 2,775,438	\$ 11,693	\$ 1,864,056
Receivables, net of allowance for uncollectible amounts:			
Accrued interest	33,660	--	26,154
Inventories	--	--	--
Total current assets	\$ 2,809,098	\$ 11,693	\$ 1,890,210
Noncurrent assets:			
Capital assets:			
Buildings	\$ --	\$ --	\$ --
Machinery and equipment	--	--	--
Accumulated depreciation	--	--	--
Total noncurrent assets	\$ --	\$ --	\$ --
Total assets	\$ 2,809,098	\$ 11,693	\$ 1,890,210
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,056	\$ 11,693	\$ 60,843
Accrued liabilities	294,400	--	--
Compensated absences due within one year	--	--	--
Noncurrent liabilities:			
Compensated absences after one year	--	--	--
Total liabilities	\$ 299,456	\$ 11,693	\$ 60,843
NET ASSETS			
Invested in capital assets, net of related debt	\$ --	\$ --	\$ --
Unrestricted	2,509,642	--	1,829,367
Total net assets	\$ 2,509,642	\$ --	\$ 1,829,367

<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 3,833,310	\$ 632,196	\$ 556,411	\$ 9,673,104
50,629	7,548	10,348	128,339
--	3,523	48,749	52,272
<u>\$ 3,883,939</u>	<u>\$ 643,267</u>	<u>\$ 615,508</u>	<u>\$ 9,853,715</u>
\$ --	\$ --	\$ 90,302	\$ 90,302
--	816,523	6,398,990	7,215,513
--	(486,949)	(2,898,062)	(3,385,011)
<u>\$ --</u>	<u>\$ 329,574</u>	<u>\$ 3,591,230</u>	<u>\$ 3,920,804</u>
<u>\$ 3,883,939</u>	<u>\$ 972,841</u>	<u>\$ 4,206,738</u>	<u>\$ 13,774,519</u>
\$ 61,585	\$ 32,971	\$ 39,178	\$ 211,326
1,095,927	7,317	9,244	1,406,888
--	13,922	11,835	25,757
--	--	24,978	24,978
<u>\$ 1,157,512</u>	<u>\$ 54,210</u>	<u>\$ 85,235</u>	<u>\$ 1,668,949</u>
\$ --	\$ 329,574	\$ 3,591,230	\$ 3,920,804
2,726,427	589,057	530,273	8,184,766
<u>\$ 2,726,427</u>	<u>\$ 918,631</u>	<u>\$ 4,121,503</u>	<u>\$ 12,105,570</u>

City of Cedar Falls, Iowa
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	<u>Health Insurance</u>	<u>Health Insurance Severance</u>	<u>Payroll</u>
Operating revenues:			
Charges for services	\$ 2,373,892	\$ --	\$ 222,030
Other	197,224	14,047	158
Total operating revenues	<u>\$ 2,571,116</u>	<u>\$ 14,047</u>	<u>\$ 222,188</u>
Operating expenses:			
Personal services	\$ --	\$ 14,047	\$ 245,118
Contractual services	1,909,515	--	--
Supplies and equipment	--	--	--
Depreciation	--	--	--
Total operating expenses	<u>\$ 1,909,515</u>	<u>\$ 14,047</u>	<u>\$ 245,118</u>
Operating income (loss)	<u>\$ 661,601</u>	<u>\$ --</u>	<u>\$ (22,930)</u>
Nonoperating revenues (expenses):			
Use of money and property	\$ 102,400	\$ --	\$ 79,653
Loss on disposal of equipment	--	--	--
Nonoperating revenues (expenses)	<u>\$ 102,400</u>	<u>\$ --</u>	<u>\$ 79,653</u>
Income (loss) before transfers	\$ 764,001	\$ --	\$ 56,723
Transfers in	--	--	--
Change in net assets	\$ 764,001	\$ --	\$ 56,723
Net assets, beginning	1,745,641	--	1,772,644
Net assets, ending	<u>\$ 2,509,642</u>	<u>\$ --</u>	<u>\$ 1,829,367</u>

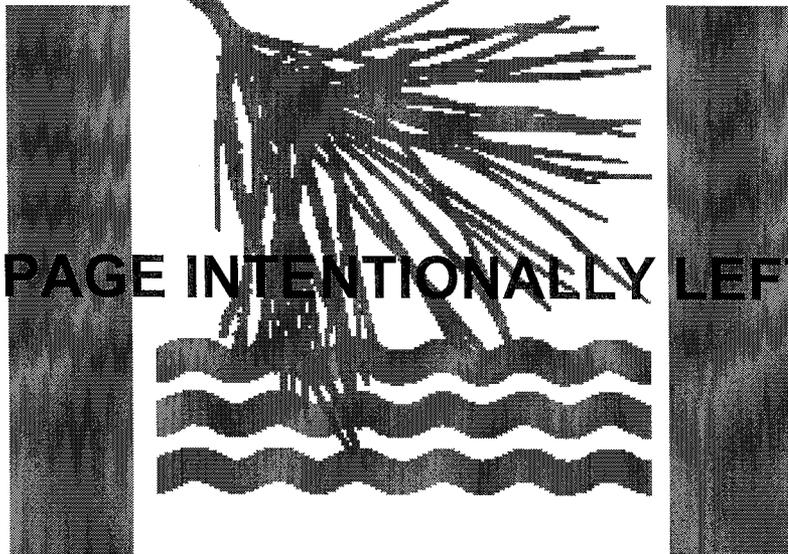
<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 719,715	\$ 596,859	\$ 1,135,270	\$ 5,047,766
713	56,894	13,085	282,121
<u>\$ 720,428</u>	<u>\$ 653,753</u>	<u>\$ 1,148,355</u>	<u>\$ 5,329,887</u>
\$ --	\$ 236,244	\$ 300,353	\$ 795,762
910,326	130,128	137,613	3,087,582
--	142,441	508,831	651,272
--	49,457	344,165	393,622
<u>\$ 910,326</u>	<u>\$ 558,270</u>	<u>\$ 1,290,962</u>	<u>\$ 4,928,238</u>
<u>\$ (189,898)</u>	<u>\$ 95,483</u>	<u>\$ (142,607)</u>	<u>\$ 401,649</u>
\$ 152,154	\$ 22,882	\$ 28,989	\$ 386,078
--	(10,911)	(10,621)	(21,532)
<u>\$ 152,154</u>	<u>\$ 11,971</u>	<u>\$ 18,368</u>	<u>\$ 364,546</u>
\$ (37,744)	\$ 107,454	\$ (124,239)	\$ 766,195
--	40,855	--	40,855
<u>\$ (37,744)</u>	<u>\$ 148,309</u>	<u>\$ (124,239)</u>	<u>\$ 807,050</u>
2,764,171	770,322	4,245,742	11,298,520
<u>\$ 2,726,427</u>	<u>\$ 918,631</u>	<u>\$ 4,121,503</u>	<u>\$ 12,105,570</u>

City of Cedar Falls, Iowa
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Health Insurance	Health Insurance Severance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interfund services	\$ 2,373,892	\$ 14,047
Payments to suppliers	(1,685,023)	--
Payments to employees	--	(2,354)
Net cash provided by (used for) operating activities	\$ 688,869	\$ 11,693
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ --	\$ --
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net acquisition of property and equipment	\$ --	\$ --
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	\$ 79,610	\$ --
Net increase (decrease) in cash	\$ 768,479	\$ 11,693
CASH BALANCES, Beginning	2,006,959	--
CASH BALANCES, Ending	\$ 2,775,438	\$ 11,693
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 661,601	\$ --
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	--	--
Change in assets and liabilities:		
(Increase) decrease in:		
Customer and other receivables	327	--
Inventories	--	--
Increase (decrease) in accounts payable, accrued and other liabilities	26,941	11,693
Net cash provided by (used for) operating activities	\$ 688,869	\$ 11,693

<u>Payroll</u>	<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 222,030	\$ 719,715	\$ 596,859	\$ 1,135,270	\$ 5,061,813
--	(920,426)	(187,639)	(640,392)	(3,433,480)
<u>(239,706)</u>	<u>--</u>	<u>(249,605)</u>	<u>(300,886)</u>	<u>(792,551)</u>
<u>\$ (17,676)</u>	<u>\$ (200,711)</u>	<u>\$ 159,615</u>	<u>\$ 193,992</u>	<u>\$ 835,782</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 40,855</u>	<u>\$ --</u>	<u>\$ 40,855</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ (106,150)</u>	<u>\$ (387,612)</u>	<u>\$ (493,762)</u>
<u>\$ 64,570</u>	<u>\$ 125,002</u>	<u>\$ 18,305</u>	<u>\$ 25,498</u>	<u>\$ 312,985</u>
<u>\$ 46,894</u>	<u>\$ (75,709)</u>	<u>\$ 112,625</u>	<u>\$ (168,122)</u>	<u>\$ 695,860</u>
<u>1,817,162</u>	<u>3,909,019</u>	<u>519,571</u>	<u>724,533</u>	<u>8,977,244</u>
<u>\$ 1,864,056</u>	<u>\$ 3,833,310</u>	<u>\$ 632,196</u>	<u>\$ 556,411</u>	<u>\$ 9,673,104</u>
\$ (22,930)	\$ (189,898)	\$ 95,483	\$ (142,607)	\$ 401,649
--	--	49,457	344,165	393,622
--	--	--	--	327
--	--	(204)	(23,416)	(23,620)
<u>5,254</u>	<u>(10,813)</u>	<u>14,879</u>	<u>15,850</u>	<u>63,804</u>
<u>\$ (17,676)</u>	<u>\$ (200,711)</u>	<u>\$ 159,615</u>	<u>\$ 193,992</u>	<u>\$ 835,782</u>

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Town

City of Cedar Falls, Iowa
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source*
June 30, 2006 and 2005

	2006	2005
Governmental fund capital assets:		
Land	\$ 12,684,630	\$ 12,702,243
Land improvements	9,973,771	3,139,752
Buildings	24,290,615	24,381,658
Machinery and equipment	5,903,645	5,557,594
Infrastructure	115,817,373	111,253,499
Construction in progress	6,070,788	5,943,218
Total governmental funds capital assets	\$ 174,740,822	\$ 162,977,964
 Investments in governmental funds capital assets by source:		
General fund	\$ 21,158,584	\$ 21,431,165
Special revenue funds	27,396,846	25,289,417
Capital projects funds	101,666,734	94,322,669
Internal service	10,875	10,875
Donations	24,507,783	21,923,838
Total governmental funds capital assets	\$ 174,740,822	\$ 162,977,964

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Cedar Falls, Iowa
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity *
June 30, 2006

Function and Activity	Land	Land Improvements	Buildings
Public Safety	\$ 12,500	\$ --	\$ 673,267
Public Works	231,285	910,939	4,353,507
Health & Social Services	151,494	--	5,052,625
Culture and Recreation	2,447,131	8,735,286	12,057,291
Community and Economic Development	9,842,220	327,546	2,153,925
General Government	--	--	--
	<u>\$ 12,684,630</u>	<u>\$ 9,973,771</u>	<u>\$ 24,290,615</u>

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 456,647	\$ --	\$ 22,476	\$ 1,164,890
2,282,872	110,536,912	5,428,532	123,744,047
--	--	--	5,204,119
2,453,091	5,280,461	51,994	31,025,254
26,278	--	567,786	12,917,755
684,757	--	--	684,757
<u>\$ 5,903,645</u>	<u>\$ 115,817,373</u>	<u>\$ 6,070,788</u>	<u>\$ 174,740,822</u>

City of Cedar Falls, Iowa
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity *
For the Fiscal Year Ended June 30, 2006

	Governmental Funds Capital Assets <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets <u>June 30, 2006</u>
Public Safety	\$ 1,122,604	\$ 42,286	\$ --	\$ 1,164,890
Public Works	117,298,054	10,484,252	4,038,259	123,744,047
Health & Social Services	5,204,119	--	--	5,204,119
Culture and Recreation	26,318,574	6,919,554	2,212,874	31,025,254
Community and Economic Development	12,392,392	567,786	42,423	12,917,755
General Government	642,221	53,352	10,816	684,757
	<u>\$ 162,977,964</u>	<u>\$ 18,067,230</u>	<u>\$ 6,304,372</u>	<u>\$ 174,740,822</u>

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Cedar Falls, Iowa
Statistical Section**

This part of the City statistical's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

101

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

111

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**City of Cedar Falls, Iowa
Net Assets by Component
Last Four Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 82,419,682	\$ 94,618,419	\$ 100,850,333
Restricted	14,924,796	15,944,416	16,688,108
Unrestricted	37,157,458	34,315,853	36,568,953
Total governmental activities net assets	<u>\$ 134,501,936</u>	<u>\$ 144,878,688</u>	<u>\$ 154,107,394</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 24,686,106	\$ 26,644,501	\$ 28,566,202
Restricted	609,000	808,500	808,500
Unrestricted	6,566,425	6,340,472	6,179,451
Total business-type activities net assets	<u>\$ 31,861,531</u>	<u>\$ 33,793,473</u>	<u>\$ 35,554,153</u>
Primary government			
Invested in capital assets, net of related debt	\$ 107,105,788	\$ 121,262,920	\$ 129,416,535
Restricted	15,533,796	16,752,916	17,496,608
Unrestricted	43,723,883	40,656,325	42,748,404
Total primary government net assets	<u>\$ 166,363,467</u>	<u>\$ 178,672,161</u>	<u>\$ 189,661,547</u>

Fiscal Year

2006

\$ 108,359,511
17,167,913
37,686,372

\$ 163,213,796

\$ 30,991,450
808,500
6,285,467

\$ 38,085,417

\$ 139,350,961
17,976,413
43,971,839

\$ 201,299,213

City of Cedar Falls, Iowa
Changes in Net Assets
Last Four Fiscal Years
(Accrual basis of accounting)
(Page 1 of 2)

	Fiscal Year	
	2003	2004
Expenses		
Governmental activities:		
Public safety	\$ 5,485,120	\$ 6,378,906
Public works	7,554,513	8,083,107
Health and social services	367,638	177,236
Culture and recreation	4,388,937	4,788,464
Community and economic development	2,461,419	2,641,914
General government	3,164,667	3,309,062
Debt service	1,267,811	1,046,548
Capital projects	174,271	119,579
Total governmental activities expenses	24,864,376	26,544,816
Business-type activities:		
Sewer	2,722,667	2,656,015
Refuse	1,668,192	1,699,546
Total business-type activities expenses	4,390,859	4,355,561
Total primary government expenses	\$ 29,255,235	\$ 30,900,377
Program Revenues		
Governmental activities:		
Charges for services	\$ 2,653,599	\$ 3,378,534
Operating grants and contributions	2,077,794	2,207,574
Capital grants and contributions	993,846	4,210,176
Total governmental activities program revenues	5,725,239	9,796,284
Business-type activities:		
Charges for services:		
Sewer	3,638,914	3,747,185
Refuse	2,097,720	2,471,886
Capital grants and contributions: sewer	8,720	11,687
Total business-type activities program revenues	5,745,354	6,230,758
Total primary government program revenues	\$ 11,470,593	\$ 16,027,042
Net (Expense)/Revenues		
Governmental activities	\$ (19,139,137)	(16,748,532)
Business-type activities	1,354,495	1,875,197
Total primary government net expense	\$ (17,784,642)	\$ (14,873,335)

Fiscal Year

2005	2006
\$ 6,786,083	\$ 6,920,986
8,121,486	9,291,307
261,476	325,479
5,350,058	5,911,073
3,345,487	4,353,658
3,751,183	3,972,891
960,961	968,298
--	--
<u>28,576,734</u>	<u>31,743,692</u>
2,777,820	3,212,254
2,176,174	1,797,655
<u>4,953,994</u>	<u>5,009,909</u>
<u>\$ 33,530,728</u>	<u>\$ 36,753,601</u>
\$ 3,604,935	\$ 4,224,651
3,143,285	2,533,024
2,759,995	3,622,803
<u>9,508,215</u>	<u>10,380,478</u>
3,777,236	3,862,562
2,460,525	2,576,395
820,264	1,553,151
<u>7,058,025</u>	<u>7,992,108</u>
<u>\$ 16,566,240</u>	<u>\$ 18,372,586</u>
(19,068,519)	(21,363,214)
2,104,031	2,982,199
<u>\$ (16,964,488)</u>	<u>\$ (18,381,015)</u>

(continued)

City of Cedar Falls, Iowa
Changes in Net Assets
Last Four Fiscal Years
(Accrual basis of accounting)
(Page 2 of 2)

	Fiscal Year	
	2003	2004
General Revenues and Other Changes in Net Assets		
Governmental activities:		
General revenues:		
Property taxes and assessments	\$ 12,807,408	\$ 14,110,761
Other city taxes	3,893,997	4,169,362
Use of money and property	3,031,121	2,618,556
Intergovernmental	4,053,397	3,785,710
Fines and forfeitures	527,966	--
Miscellaneous	1,156,311	946,121
Gain on sale of assets	(56,459)	72,034
Utility contribution in lieu of taxes	1,500,000	1,400,000
Transfers	(371,589)	(20,070)
Total governmental activities	26,542,152	27,082,474
Business-type activities:		
General revenues:		
Property taxes and assessments	10,396	54,475
Use of money and property	170,254	116,420
Transfers	371,589	20,070
Total business-type activities	552,239	190,965
Total primary government	\$ 27,094,391	\$ 27,273,439
Change in Net Assets		
Governmental activities	\$ 7,403,015	\$ 10,333,942
Business-type activities	1,906,734	2,066,162
Total primary government	\$ 9,309,749	\$ 12,400,104

(continued)

Fiscal Year	
<u>2005</u>	<u>2006</u>
\$ 16,034,121	\$ 17,163,242
4,349,790	4,709,758
1,874,497	2,425,140
3,809,479	3,527,541
--	--
207,661	491,847
65,215	--
1,400,000	1,400,000
556,462	752,088
<u>28,297,225</u>	<u>30,469,616</u>
149	--
212,962	301,153
<u>(556,462)</u>	<u>(752,088)</u>
<u>(343,351)</u>	<u>(450,935)</u>
<u>\$ 27,953,874</u>	<u>\$ 30,018,681</u>
\$ 9,228,706	\$ 9,106,402
1,760,680	2,531,264
<u>\$ 10,989,386</u>	<u>\$ 11,637,666</u>

City of Cedar Falls, Iowa
Fund Balances, Governmental Funds,
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
General Fund			
Reserved	\$ 95,374	\$ 78,299	\$ 86,234
Unreserved	3,874,706	4,202,156	4,759,091
Total general fund	<u>\$ 3,970,080</u>	<u>\$ 4,280,455</u>	<u>\$ 4,845,325</u>
All Other Governmental Funds			
Reserved	\$ 6,049,806	\$ 6,095,148	\$ 6,099,299
Designated for long-term debt	1,050,000	--	--
Unreserved, reported in:			
Special revenue funds	21,941,288	24,902,596	25,907,185
Capital projects funds	11,544,108	12,215,078	13,537,485
Total all other governmental funds	<u>\$ 40,585,202</u>	<u>\$ 43,212,822</u>	<u>\$ 45,543,969</u>

Fiscal Year

2006

\$ 119,589
5,462,495

\$ 5,582,084

\$ 5,922,020

--

27,560,891
12,165,289

\$ 45,648,200

City of Cedar Falls, Iowa
Changes in Fund Balances, Governmental Funds,
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Revenues:			
Property taxes and assessments	\$ 12,807,404	\$ 14,085,403	\$ 16,033,558
Other city taxes	3,893,996	4,169,362	4,210,658
Licenses and permits	724,041	847,158	923,727
Use of money and property	3,031,124	2,618,556	1,874,497
Intergovernmental	7,125,038	6,324,283	6,457,295
Charges for services	1,929,559	1,984,119	2,244,467
Fines and forfeitures	527,965	547,257	436,741
Miscellaneous	473,127	2,460,384	975,478
Utility contribution in lieu of taxes	1,500,000	1,400,000	1,400,000
Total revenues	\$ 32,012,254	\$ 34,436,522	\$ 34,556,421
Expenditures:			
Current:			
Public safety	\$ 6,057,219	\$ 6,288,812	\$ 6,692,528
Public works	6,683,343	6,987,749	7,364,214
Health and social services	252,322	50,921	135,160
Culture and recreation	4,336,496	4,246,829	4,756,551
Community and economic development	2,469,573	2,600,174	2,523,565
General government	3,151,579	3,075,636	3,455,372
Debt service			
Principal	3,605,000	4,025,954	3,408,713
Interest	1,239,970	1,067,520	1,029,414
Capital projects			
Total expenditures	\$ 32,151,472	\$ 35,000,566	\$ 37,623,190
Excess (deficiency) of revenues over (under) expenditures	\$ (139,218)	\$ (564,044)	\$ (3,066,769)
Other financing sources (uses):			
Issuance of long-term debt	\$ 3,554,596	\$ 2,355,000	\$ 5,450,000
Issuance of refunding debt	--	--	--
Discount on long-term debt	(13,450)	(14,130)	(17,594)
Land contract	--	1,200,000	--
Payments on refunding bonds	(3,485,000)	--	--
Transfers in	4,438,310	3,777,372	7,349,861
Transfers out	(4,754,718)	(3,822,938)	(6,824,892)
Total other financing sources (uses)	\$ (260,262)	\$ 3,495,304	\$ 5,957,375
Net change in fund balances	\$ (399,480)	\$ 2,931,260	\$ 2,890,606
Debt service as a percentage of noncapital expenditures			
	17.4%	18.0%	15.1%

2006

\$ 17,186,164
4,712,426
982,954
2,425,140
6,834,840
2,589,376
652,321
437,966
1,400,000
\$ 37,221,187

\$ 7,173,967
7,595,353
199,164
5,277,687

2,384,359
3,814,373

2,920,000
937,274
9,612,287
\$ 39,914,464

\$ (2,693,277)

\$ 2,835,000
5,650,000
(43,274)
--
(5,650,000)
5,999,757
(5,288,524)

\$ 3,502,959

\$ 809,682

12.7%

City of Cedar Falls, Iowa
Assessed and Taxable Value of Property
Last Ten Fiscal Years
(Unaudited)

Levy Year	For Fiscal Year Ending June 30,	Real and Personal Property			
		Regular		Agricultural Land	
		Taxable Value	Assessed Value	Taxable Value	Assessed Value
1996	1997	\$ 553,548,261	\$ 822,854,401	\$ 5,532,940	\$ 5,532,940
1997	1998	565,333,594	838,595,077	5,435,000	5,435,000
1998	1999	617,205,551	976,751,581	6,295,564	6,529,270
1999	2000	653,019,972	1,006,391,551	6,484,720	6,484,720
2000	2001	722,070,299	1,154,915,581	6,643,223	6,897,310
2001	2002	747,955,311	1,181,469,596	6,866,680	6,866,680
2002	2003	794,505,253	1,367,280,273	7,149,530	7,149,530
2003	2004	817,896,980	1,420,200,646	6,926,500	6,926,500
2004	2005	903,439,479	1,668,483,277	5,418,730	5,418,730
2005	2006	920,739,030	1,732,108,902	5,347,650	5,347,650

Source: Black Hawk County Auditor's Office.

Note: Property in the city is reassessed every other year. Tax rates are per \$1,000 of assessed value.

Total		Total Taxable Value as a Percentage of Assessed Value	Total Direct Tax Rate
Taxable Value	Assessed Value		
\$ 559,081,201	\$ 828,387,341	67.49 %	\$ 14.90820
570,768,594	844,030,077	67.62	14.90577
623,501,115	983,280,851	63.41	14.49049
659,504,692	1,012,876,271	65.11	14.58793
728,713,522	1,161,812,891	62.72	14.12498
754,821,991	1,188,336,276	63.52	14.10036
801,654,783	1,374,429,803	58.33	13.65069
824,823,480	1,427,127,146	57.80	14.10410
908,858,209	1,673,902,007	54.30	13.65325
926,086,680	1,737,456,552	53.30	14.05084

**City of Cedar Falls, Iowa
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	City of Cedar Falls			Overlapping Rates Black Hawk County		
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage
1997	\$ 11.87998	\$ 3.02822	\$ 14.90820	\$ 7.89490	\$ 0.69790	\$ 8.59280
1998	12.18259	2.72318	14.90577	7.55193	0.67633	8.22826
1999	11.56944	2.92105	14.49049	6.79867	0.60754	7.40621
2000	11.69479	2.89314	14.58793	6.90463	0.58975	7.49438
2001	11.19250	2.93248	14.12498	6.78238	0.53875	7.32113
2002	11.21875	2.88161	14.10036	7.08003	0.60897	7.68900
2003	11.85892	1.79177	13.65069	7.01176	0.60721	7.61897
2004	11.93225	2.17185	14.10410	7.15152	0.59469	7.74621
2005	11.85492	1.79833	13.65325	6.90953	0.58284	7.49237
2006	12.39156	1.65928	14.05084	7.04780	0.56052	7.60832

Source: Black Hawk County Auditor's Office.

Note: The city's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rate for debt service are set based on each year's requirements.

Overlapping Rates

<u>Schools</u>				
<u>Operating Millage</u>	<u>Debt Service</u>	<u>Total School Millage</u>	<u>Other</u>	<u>Total</u>
\$ 14.20635	\$ --	\$ 14.20635	\$ 1.17208	\$ 38.87943
14.53680	--	14.53680	1.29704	38.96787
14.24056	--	14.24056	1.24187	37.37913
13.71475	--	13.71475	1.11145	36.90851
12.84387	--	12.84387	1.08713	35.37711
13.63050	--	13.63050	1.13630	36.55616
13.95173	--	13.95173	1.17929	36.40068
13.91234	--	13.91234	1.13876	36.90141
13.00577	--	13.00577	1.36743	35.51882
13.02846	--	13.02846	1.42197	36.10959

**City of Cedar Falls, Iowa
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	1997		
	Assessed Valuation for Levy Year 1996 - 1997	Rank	Percentage of Total Assessed Valuation
Target Corporation	\$ --	--	-- %
College Square Mall Assoc. LLC	--	--	--
Twenty Seventh Street Assoc, LLC	--	--	--
R and N Investments	--	--	--
Panther Development, LLC	--	--	--
WB CF Assoc LTD Partners	5,494,780	4	0.66
Cedar Falls Investments, LLC	--	--	--
Walmart Re Business Trust	--	--	--
Christopherson, Jerry	--	--	--
Cedar Falls Retirement Residence	--	--	--
Tri State Joint Ventures	21,993,740	1	2.66
Viking Pump	11,684,530	2	1.41
Deere & Company	10,896,140	3	1.32
Quest Corporation (US West, Inc)	5,414,947	5	0.65
Cedar Falls Utilities	5,343,258	6	0.65
Land Use, Inc	3,358,300	7	0.41
Kinsath Hospitalities	3,223,950	8	0.39
TR Apartments LTD Partnership	3,062,570	9	0.37
H&H Machine Tool	1,915,580	10	0.23
	<u>\$ 72,387,795</u>		<u>8.75 %</u>

Source: Black Hawk County Auditor's Office

City of Cedar Falls, Iowa
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Levy Year	For Fiscal Year Ending June 30,	Total Tax Levy	Current Tax Collection	Percentage of Current Taxes Collected	Delinquent Tax Collections
1996	1997	\$ 8,316,093	\$ 8,285,599	99.63 %	\$ 991
1997	1998	8,518,497	8,461,212	99.33	388
1998	1999	9,076,030	9,139,100	100.69	858
1999	2000	9,674,208	9,736,770	100.65	18
2000	2001	10,462,320	10,515,407	100.51	1,455
2001	2002	10,804,380	10,858,889	100.50	1,791
2002	2003	11,051,455	11,120,412	100.62	246
2003	2004	11,796,749	11,824,764	100.24	104
2004	2005	12,646,619	12,643,423	99.97	--
2005	2006	13,267,496	13,397,500	100.98	--

Source: Black Hawk County Auditor's Office.

<u>Total Tax Collections</u>	<u>Total Tax Collections as a Percentage of Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes as a Percentage of Total Tax Levy</u>
\$ 8,286,590	99.65 %	\$ 82,188	0.99 %
8,461,600	99.33	70,247	0.82
9,139,958	100.70	76,254	0.84
9,736,788	100.65	83,143	0.86
10,516,862	100.52	137,121	1.31
10,860,680	100.52	126,374	1.17
11,120,658	100.63	111,382	1.01
11,824,868	100.24	84,733	0.72
12,643,423	99.97	84,230	0.67
13,397,500	100.98	56,511	0.43

**City of Cedar Falls, Iowa
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities	
	General Obligation Bonds	Tax Increment Financing Bonds	Capital Loan Note	General Obligation Bonds	Revenue Bonds
1997	\$ 19,405,000	\$ 2,660,000	\$ 600,000	\$ 4,500,000	\$ 5,945,000
1998	21,720,000	2,480,000	545,000	4,450,000	4,895,000
1999	20,005,000	2,230,000	490,000	4,365,000	3,760,000
2000	21,205,000	2,685,000	430,000	4,275,000	6,160,000
2001	18,945,000	2,310,000	365,000	4,185,000	4,905,000
2002	21,615,000	4,955,000	--	4,090,000	3,590,000
2003	18,750,000	4,280,000	--	3,505,000	3,200,000
2004	18,210,000	3,115,000	--	2,850,000	4,705,000
2005	16,115,000	7,225,000	--	2,160,000	4,075,000
2006	16,860,000	6,395,000	--	2,980,000	3,420,000

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Population and personal income data can be found on page 131.

<u>Total Primary Government</u>	<u>Percentage of Personal Income¹</u>	<u>Per Capita¹</u>
\$ 33,110,000	4.59 %	\$ 933
34,090,000	4.52	956
30,850,000	3.80	861
34,755,000	4.10	961
30,710,000	3.64	848
34,250,000	3.83	950
29,735,000	3.20	824
28,880,000	2.96	795
29,575,000	2.95	813
29,655,000	2.60	814

City of Cedar Falls, Iowa
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds ¹</u>	<u>Taxable Value of Property</u>	<u>Percentage Taxable Value of Property</u>	<u>Assessed Value of Property</u>
1997	\$ 19,405,000	\$ 559,081,201	3.47 %	\$ 828,387,341
1998	21,720,000	570,768,594	3.81	844,030,077
1999	20,005,000	623,501,115	3.21	983,280,851
2000	21,205,000	659,504,692	3.22	1,012,876,271
2001	18,945,000	728,713,522	2.60	1,161,812,891
2002	21,615,000	754,821,991	2.86	1,188,336,276
2003	18,750,000	801,654,783	2.34	1,374,429,803
2004	18,210,000	824,823,480	2.21	1,427,127,146
2005	16,115,000	908,858,209	1.77	1,673,902,007
2006	16,860,000	926,086,680	1.82	1,737,456,552

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Includes only general obligation bonds supported by property tax dollars.

<u>Percentage Assessed Value of Property</u>	<u>Per Capita</u>
2.34 %	\$ 546.80
2.57	609.12
2.03	558.36
2.09	586.47
1.63	522.89
1.82	599.48
1.36	519.82
1.28	501.06
0.96	442.96
0.97	462.97

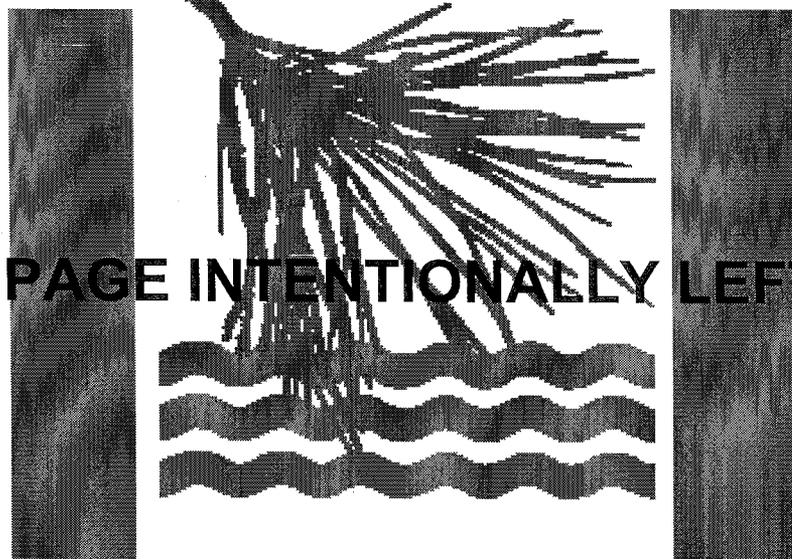
**City of Cedar Falls, Iowa
Direct and Overlapping Debt
As of June 30, 2006**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to Government</u>
Direct, City of Cedar Falls, Iowa	\$ <u>26,235,000</u>	100.00 %	\$ <u>26,235,000</u>
Overlapping:			
Black Hawk County	\$ 13,310,000	29.96	\$ 3,987,676
Cedar Falls Public School District	--	--	--
Area VII Hawkeye Institute of Technology	<u>2,210,000</u>	17.65	<u>390,065</u>
Total Overlapping	\$ <u>15,520,000</u>		\$ <u>4,377,741</u>
Total	\$ <u><u>41,755,000</u></u>		\$ <u><u>30,612,741</u></u>

Source: Black Hawk County Auditor

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Cedar Falls. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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Town

**City of Cedar Falls, Iowa
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year				
	1997	1998	1999	2000	2001
Debt Limit	\$ 41,142,720	\$ 41,929,754	\$ 49,164,043	\$ 50,643,814	\$ 58,090,645
Total net debt applicable to limit	27,165,000	32,895,000	30,690,000	32,715,000	29,685,000
Legal debt margin	<u>\$ 13,977,720</u>	<u>\$ 9,034,754</u>	<u>\$ 18,474,043</u>	<u>\$ 17,928,814</u>	<u>\$ 28,405,645</u>
Total net debt applicable to the limit as a percentage of of debt limit	66.03%	78.45%	62.42%	64.60%	51.10%

Note: Under Iowa code, the city's outstanding general obligation debt should not exceed 5 percent of total assessed property value.

Fiscal Year				
2002	2003	2004	2005	2006
\$ 59,416,814	\$ 68,721,490	\$ 71,356,357	\$ 83,695,100	\$ 86,872,828
34,295,000	29,920,000	27,265,000	28,260,000	28,660,000
<u>\$ 25,121,814</u>	<u>\$ 38,801,490</u>	<u>\$ 44,091,357</u>	<u>\$ 55,435,100</u>	<u>\$ 58,212,828</u>

57.72% 43.54% 38.21% 33.77% 32.99%

Legal Debt Margin Calculation for Fiscal Year 2006

Estimated actual valuation	<u>\$ 1,737,456,552</u>
Debt limit - 5% of total actual valuation	\$ 86,872,828
Debt applicable to debt limit:	
General obligation bonds	26,235,000
General obligation bonds - component unit	<u>2,425,000</u>
Legal debt margin	<u>\$ 58,212,828</u>

**City of Cedar Falls, Iowa
Revenue Bond Coverage
Sewer Authority
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Less: Operating Expenses ¹</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements ²</u>	
				<u>Principal</u>	<u>Interest</u>
1997	\$ 3,410,055	\$ 881,008	\$ 2,529,047	\$ 1,025,000	\$ 358,866
1998	3,633,517	1,363,849	2,269,668	1,070,000	310,268
1999	3,793,363	1,370,221	2,423,142	1,135,000	242,429
2000	4,178,205	1,227,350	2,950,855	1,190,000	185,418
2001	4,585,938	1,487,413	3,098,525	1,255,000	305,434
2002	4,372,064	1,553,672	2,818,392	1,315,000	257,545
2003	4,264,604	1,523,040	2,741,564	390,000	193,405
2004	4,047,494	1,533,885	2,513,609	395,000	172,735
2005	4,873,178	1,622,886	3,250,292	630,000	212,068
2006	6,235,223	2,021,641	4,213,582	655,000	175,227

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Net of depreciation, interest, and debt service transfers.

² Includes principal and interest of revenue bonds only.

Debt Service
Requirements²

<u>Total</u>	<u>Coverage</u>
\$ 1,383,866	1.83
1,380,268	1.64
1,377,429	1.76
1,375,418	2.15
1,560,434	1.99
1,572,545	1.79
583,405	4.70
567,735	4.43
842,068	3.86
830,227	5.08

City of Cedar Falls, Iowa
Sales History and Total Sewer Charges
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales (CCF)</u>	<u>Sewer Charges</u>
1996 - 97	1,596,939	3,180,110
1997 - 98	1,587,392	3,224,396
1998 - 99	1,563,641	3,318,057
1999 - 00	1,669,268	3,407,731
2000 - 01	1,628,644	3,367,856
2001 - 02	1,589,986	3,549,232
2002 - 03	1,683,593	3,547,913
2003 - 04	1,868,675	3,686,981
2004 - 05	1,700,179	3,603,778
2005 - 06	1,737,946	3,644,514

Source: Cedar Falls Utilities

**City of Cedar Falls, Iowa
Water Meter by Rate Class
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Government</u>	<u>Other</u>	<u>Total</u>
1996	8,952	720	42	171	2	9,887
1997	9,007	747	41	169	2	9,966
1998	9,145	773	43	170	3	10,134
1999	9,233	787	43	151	3	10,217
2000	9,426	805	42	168	3	10,444
2001	9,607	820	40	173	3	10,643
2002	9,903	854	39	168	3	10,967
2003	10,057	866	39	168	3	11,133
2004	10,313	889	38	164	3	11,407
2005	10,548	920	36	175	3	11,682

**City of Cedar Falls, Iowa
Largest Sewer Customers
Fiscal Year 2006**

Customer	Water Sales (CCF)	Percent of Total Water Sales	Sewer Charges	Percent of Total Sewer Charges
University of Northern Iowa	127,150	7.32 %	\$ 242,832	6.66 %
County Terrace Mobile Home Ct.	20,630	1.19	67,281	1.85
Gold Falls Villa Apartments	10,708	0.62	39,801	1.09
Western Home Communities	16,758	0.96	38,412	1.05
College Park Mills	12,544	0.72	29,091	0.80
Alliance Realty	5,895	0.34	28,539	0.78
Lutheran Home	11,324	0.65	24,410	0.67
College Square Apartments II	6,257	0.36	22,746	0.62
Metokote Corporation	11,810	0.68	20,180	0.55
Holiday Inn	12,024	0.69	19,222	0.53
Sartori Memorial Hospital	12,487	0.72	19,283	0.53
College Square Apartments I	4,114	0.24	16,321	0.45
Total 2006 CCF	1,737,946			
Total 2006 Billings	\$3,644,514			

**City of Cedar Falls, Iowa
Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income¹</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1997	35,488	720,796,768	20,311	33.8	4,906	3.2
1998	35,658	754,309,332	21,154	36.8	4,626	2.6
1999	35,828	811,217,576	22,642	34.7	4,531	3.3
2000	36,157	846,869,254	23,422	32.7	4,456	2.5
2001	36,231	843,675,066	23,286	36.2	4,322	3.0
2002	36,056	894,008,520	24,795	34.4	4,339	3.3
2003	36,070	928,730,360	25,748	34.4	4,385	3.8
2004	36,343	975,664,178	26,846	34.4	4,437	4.0
2005	36,380	1,001,577,780	27,531	35.9	4,393	3.7
2006	36,417	1,140,981,027	31,331	35.9	4,435	2.9

Sources: Population provided by the Planning division. School enrollment is supplied by the Cedar Falls Board of Education. Unemployment data provided by the Iowa Workforce.

Note: Population and median age information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

¹ Per Capita Income is based on Metropolitan Waterloo/Cedar Falls and based on figures from Bureau of Economic Analysis.

**City of Cedar Falls, Iowa
Principal Employers
Current Year and Nine Years Ago**

Employees	1997		
	Number of Employees ¹	Rank	Percentage of Total City Employment
John Deere Product Engineer Center ²	--	--	--
University of Northern Iowa	6,705	1	33.58%
Target Distribution	--	--	--
Cedar Falls Community School District	581	2	2.91%
City of Cedar Falls/Municipal Utilities	468	4	2.34%
Wal-Mart Super Center	--	--	--
Viking Pump Inc, Unit of Index Corp.	565	3	2.83%
Martin Brothers Distributing Co., Inc	265	7	1.33%
Sartori Hospital	345	5	1.73%
The Western Home	280	6	1.40%
Windsor Care Center	68	8	0.34%
Total	9,277		46.46%

Source: Official Bond Statements from Public Financial Management, Inc. The Official Statement for 1997 only included the top 8 employers at that time.

¹ Number of employees includes all full-time, part-time and seasonal employees.

² John Deere Product Engineering Center includes both Cedar Falls and Waterloo employees in 1998-2006.

2006

<u>Number of Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
4,550	1	22.04%
2,076	2	10.06%
800	3	3.88%
623	4	3.02%
503	5	2.44%
500	6	2.42%
430	7	2.08%
387	8	1.87%
305	9	1.48%
305	10	1.48%
--	--	--
10,479		50.77%

City of Cedar Falls, Iowa
Full-Time Equivalent City Government Employees by Function/Department
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30				
	1997	1998	1999	2000	2001
Public Safety					
Police	51.10	49.35	52.35	51.65	53.15
Fire	34.00	35.60	34.80	34.80	34.80
Inspection Services	5.00	6.00	6.00	6.00	6.00
Public Safety Administration	1.40	1.40	1.40	--	--
Public Works					
Streets	22.42	22.42	21.32	21.32	21.32
Parking Meter	5.00	5.50	4.40	4.15	3.15
Engineering	18.50	12.10	12.10	13.60	13.60
Culture and Recreation					
Human & Leisure Administration	3.50	3.60	2.80	2.80	2.80
Cultural Services	7.70	7.50	9.10	9.20	9.20
Library	18.20	17.20	15.10	14.80	14.80
Cemetery	4.60	4.60	4.60	4.60	4.60
Golf	6.30	6.30	6.30	6.30	6.00
Parks	21.30	21.30	22.20	22.20	22.60
Recreation	30.85	30.85	30.85	30.85	30.85
Visitor & Tourism	--	--	--	--	--
Community & Economic Development					
Developmental Services Admin.	1.40	2.30	1.50	1.50	1.50
Economic Development	1.85	1.85	1.85	1.85	1.85
Planning Services	3.25	3.00	3.10	3.10	3.10
Block Grant	3.15	2.95	1.95	2.15	2.15
Housing Vouchers	0.80	0.90	0.90	0.85	2.50
Section 8 Housing	2.00	1.60	1.50	1.65	--
General Government					
Mayor's Office	1.50	1.50	1.50	1.50	1.50
Administrative Services Admin.	1.50	1.50	1.50	1.50	1.50
Financial Services	4.90	4.90	4.80	4.65	5.65
Legal Services	3.00	3.00	3.00	3.00	3.00
Personnel	3.50	3.80	3.50	2.50	2.50
Public Records	3.40	2.90	2.90	3.50	3.50
Cable TV	3.10	3.40	3.85	3.85	3.80
Print Shop	1.20	1.20	1.10	1.00	1.00
Public Buildings	8.38	11.38	13.18	13.18	13.18
Internal Service					
Information Systems	2.50	2.80	2.00	3.00	3.00
Vehicle Maintenance	6.90	6.90	6.40	6.40	6.40
Sewer	15.80	17.60	16.00	17.00	17.00
Refuse	18.90	16.60	15.65	12.85	15.65
Total	316.90	313.80	309.50	307.30	311.65

Source: City's Financial Plans

Full-Time Equivalent Employees as of June 30

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
52.85	49.89	49.89	49.89	50.89
35.10	35.40	34.60	34.60	35.60
6.00	6.00	6.00	6.00	6.50
--	--	--	--	--
21.57	24.00	24.82	24.35	25.35
3.05	3.05	3.10	3.10	3.10
13.60	13.60	13.60	11.60	11.60
2.50	2.00	2.00	2.00	2.25
10.40	10.50	9.05	8.81	8.81
14.80	14.80	14.80	16.20	16.20
4.40	4.40	4.40	4.60	4.60
5.60	5.60	6.40	7.15	7.15
18.00	18.00	16.20	18.68	18.68
31.05	31.05	31.05	31.05	31.05
1.80	2.40	2.40	2.60	2.60
1.50	1.50	1.50	1.50	1.50
1.85	1.85	1.85	1.85	1.85
3.10	3.43	3.43	3.43	3.43
2.15	2.20	2.20	2.20	2.20
2.50	2.50	2.50	2.50	2.50
--	--	--	--	--
1.50	1.50	1.50	1.50	1.50
1.50	1.50	1.50	1.50	1.50
5.58	5.58	4.95	4.95	4.95
3.00	3.00	3.00	3.00	2.00
2.50	2.00	2.00	2.00	2.00
3.80	3.50	3.50	3.50	3.50
3.80	4.00	4.00	3.00	4.00
1.00	1.00	1.00	1.00	1.00
12.78	10.78	11.31	12.11	14.11
3.00	3.00	3.00	3.00	4.00
6.40	6.40	6.40	6.40	6.40
17.30	17.30	17.30	16.75	16.88
17.80	16.43	16.50	16.80	15.80
<u>311.78</u>	<u>308.16</u>	<u>305.75</u>	<u>307.62</u>	<u>313.50</u>

**City of Cedar Falls, Iowa
Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year		
	1997	1998	1999
Public Safety			
Police			
Physical arrests	1,091	1,512	1,430
Traffic violations	4,940	4,546	3,583
Parking violations	42,384	42,720	43,124
Fire			
Number of calls answered	1,087	1,141	1,129
Inspections conducted	1,723	4,189	3,023
Sewer			
Sewage System			
Daily average treatment in gallons	5,000,000	5,000,000	5,800,000
Maximum daily capacity of treatment plant in gallons	21,600,000	21,600,000	21,600,000
Water System			
Daily average consumption in gallons	3,890,867	3,741,522	3,709,000
Maximum daily capacity of plant in gallons	21,600,000	21,600,000	21,600,000
Refuse ¹			
Solid Waste			
32 Gallon Containers	--	--	--
68 Gallon Containers	--	--	--
95 Gallon Containers	--	--	--
Yard Waste			
95 Gallon Containers	--	--	--

Sources: Various city departments

¹ Statistics begin in FY04

Fiscal Year

2000	2001	2002	2003	2004	2005	2006
1,502	1,299	1,386	1,485	1,672	1,616	1,670
3,120	3,960	3,959	4,033	5,453	6,007	4,705
38,876	48,613	48,613	42,162	37,260	34,056	29,952
1,370	1,393	1,435	1,554	1,511	1,452	1,599
3,213	2,314	4,554	3,367	2,166	1,807	2,517
5,800,000	5,800,000	4,750,000	4,120,000	4,120,000	4,600,000	4,550,000
21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000
3,653,594	3,773,582	3,783,126	3,800,209	3,800,209	3,439,943	3,636,258
21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000
--	--	--	--	3,155	3,299	3,344
--	--	--	--	5,679	5,903	5,997
--	--	--	--	1,093	1,284	1,464
--	--	--	--	4,499	4,924	5,280

**City of Cedar Falls, Iowa
Capital Asset Statistics by Function
Last Ten Fiscal Years**

	Fiscal Year				
	1997	1998	1999	2000	2001
Public safety					
Police					
Stations	1	1	1	1	1
Patrol Units	9	9	9	9	9
Fire					
Stations	2	2	2	2	2
Fire apparatus ¹	--	--	--	--	--
Public works					
Streets					
Miles	190	190	200	200	200
Street lights	2,452	2,494	2,529	2,539	2,588
Health and social services					
Hospital	1	1	1	1	1
Number of patient beds	101	101	101	101	101
Cultural and Recreation					
Hearst Center for the Arts	1	1	1	1	1
Library	1	1	1	1	1
Cemeteries	3	3	3	3	3
Acreage	56.9	56.9	56.9	56.9	56.9
Golf	2	3	3	3	3
Miniature golf course	1	1	1	1	1
Parks	29	33	33	34	34
Acreage	1,072	1,116	1,116	1,116	1,116
Recreation					
Recreation Center	1	1	1	1	1
Swimming pools	3	3	3	3	3
Softball fields	6	6	6	6	6
Baseball fields	3	3	3	3	3
Tennis courts	6	6	6	6	6
Sewer					
Sewage System					
Miles of sanitary sewer	150	150	150	150	150
Miles of storm sewers	160	160	160	160	160
Number of treatment plants	1	1	1	1	1
Number of service connectors	12,400	12,400	12,762	12,762	12,762
Water Systems					
Miles of water mains	154.00	156.00	158.00	160.00	164.02
Number of service connectors	9,891	9,929	10,139	10,220	10,444
Number of city owned fire hydrants	1,258	1,279	1,346	1,383	1,427

Sources: Various city departments

¹ Number of fire trucks statistic was not kept in prior years

Fiscal Year				
2002	2003	2004	2005	2006
1	1	1	1	1
12	12	12	12	10
2	2	2	2	1
8	8	8	8	8
200	200	200	203	205
2,609	2,642	2,670	2,695	2,705
1	1	1	1	1
101	101	101	101	101
1	1	1	1	1
1	1	1	1	1
3	3	3	3	3
56.9	56.9	56.9	56.9	56.9
3	3	3	3	3
1	1	1	1	1
34	34	34	34	34
1,116	1,116	1,116	1,116	1,116
1	1	1	1	1
3	3	3	3	3
8	8	8	8	8
2	2	2	2	2
6	6	6	6	6
150	160	160	162	163
160	160	160	161	162
1	1	1	1	1
10,790	11,039	11,039	11,039	11,649
167.00	169.00	169.00	175.30	184.70
10,643	10,967	10,967	11,407	11,682
1,468	1,503	1,503	1,593	1,717

