

# **CITY OF CEDAR FALLS, IOWA**

## **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2011**

Prepared by:

Finance/Public Records Division  
Of  
Department of Administrative Services

Jennifer Rodenbeck, CPA, CPFO  
Finance Manager/City Clerk

**City of Cedar Falls, Iowa  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011**

**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal . . . . .	1
GFOA Certificate of Achievement . . . . .	12
Organizational Charts . . . . .	13
Principal Officials . . . . .	15
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report . . . . .	16
Management's Discussion and Analysis . . . . .	18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets . . . . .	30
Statement of Activities . . . . .	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds . . . . .	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds . . . . .	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities . . . . .	38
Statement of Net Assets – Proprietary Funds . . . . .	39
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds . . . . .	41
Statement of Cash Flows – Proprietary Funds . . . . .	43
Notes to Financial Statements . . . . .	45
Required Supplementary Information:	
Budgetary Comparison Schedule – Function Budget . . . . .	78
Notes to Required Supplementary Information . . . . .	80
Schedule of Funding Progress . . . . .	83
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds . . . . .	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds . . . . .	88

Combining Statement of Net Assets – Internal Service Funds. . . . .	92
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds . . . . .	94
Combining Statement of Cash Flows – Internal Service Funds. . . . .	96
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source. . . . .	98
Schedule by Function and Activity . . . . .	99
Schedule of Changes by Function and Activity . . . . .	101

## STATISTICAL SECTION

### Financial Trends:

Net Assets by Component. . . . .	103
Changes in Net Assets. . . . .	105
Fund Balances, Governmental Funds. . . . .	109
Changes in Fund Balances, Governmental Funds . . . . .	111

### Revenue Capacity:

Assessed and Taxable Value of Property. . . . .	113
Property Tax Rates – Direct and Overlapping Governments . . . . .	115
Principal Property Taxpayers . . . . .	117
Property Tax Levies and Collections. . . . .	119

### Debt Capacity:

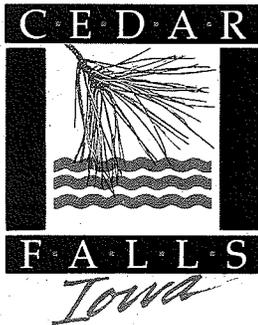
Ratios of Outstanding Debt by Type. . . . .	121
Ratios of General Bonded Debt Outstanding . . . . .	123
Direct and Overlapping Debt. . . . .	125
Legal Debt Margin Information. . . . .	126
Revenue Bond Coverage – Sewer Authority. . . . .	128
Sales History and Total Sewer Charges. . . . .	130
Water Meter by Rate Class. . . . .	131
Largest Sewer Customers. . . . .	132

### Demographics on Economic Information:

Demographic and Economic Statistics . . . . .	133
Principal Employers . . . . .	134
Full-Time Equivalent City Government Employees by Function/Department . . . . .	136

### Operating Information:

Operating Indicators by Function. . . . .	138
Capital Asset Statistics by Function . . . . .	140



DEPARTMENT OF ADMINISTRATIVE SERVICES

CITY OF CEDAR FALLS, IOWA  
220 CLAY STREET  
CEDAR FALLS, IOWA 50613  
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FAX 319-268-5126

October 28, 2011

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, 2011. This is the ninth 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.

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 and storm water 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.

## **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 39,260. 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 continues to be strong. The Cedar Falls economy was insulated from many of the impacts created by the recent 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 in FY02 and in FY08 completed a second refrigeration center. 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 FY12 by \$56 million, and taxable values increased by almost \$69 million (See Attachment B) due to the increase in the residential 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. This has been accomplished by maintaining the approximate same number of employees, even when demand for service has increased. Cedar Falls had one of the lowest number of full-time employees per 1,000 residents in FY11. (See Attachment D).

Over the past ten years Cedar Falls' residential housing sales prices have significantly increased. In 2000, the average sales price reported was \$136,175. In 2010, the average sales price was \$199,318, which is a forty-six (46) percent increase in the past ten years. In FY11, there were 217 new construction, single family units built. This is the second highest number on record. 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 EVENT**

**2008 Flood:** In June 2008, the City of Cedar Falls along with eighty (80) percent of the State of Iowa experienced a devastating flood. At 2:00 am, June 11<sup>th</sup>, the Cedar River crested at 102.13 ft., nearly six feet above the previous record. Thousands of volunteers worked to sandbag the levee, homes, and places vulnerable to flooding. Cedar Falls was fortunate in that the levee that protects our downtown area did hold, unfortunately, however, northern Cedar Falls was completely flooded. Approximately 570 homes were affected by the flood. Many of these homes were completely damaged and many residents will be seeking buyouts under the Federal Emergency Management Agency (FEMA) buyout program.

In addition to the residents flooded in northern Cedar Falls, the dike around the Cedar Falls Utility generation plant failed. Fortunately water, communication, electric, and gas services were still provided during most of this disaster. Another city facility that was also affected was the Public Works Complex. This complex houses the City's street, traffic, refuse, and vehicle maintenance operations. Therefore, these facilities did sustain considerable losses. Fortunately, volunteer efforts to fortify the levee around the sewage treatment plant succeeded in preserving sewage treatment for the entire city.

In addition to the Public Works Complex, some of the City's streets, parks, trails, and one golf course also sustained damage. The estimated costs of damage sustained to public facilities and infrastructure was \$3 million. At the end of FY08, approximately \$1 million of this had been spent. In FY09 and FY10, another approximately \$1.6 million was spent. The remainder of the costs occurred in FY11. Also, starting in FY10, the buyout of approximately 150 flood-damaged homes and businesses began. The City has secured funding for this buyout process either through FEMA, Jumpstart, or Community Block Grant.

## **ECONOMIC DEVELOPMENT INITIATIVES**

**Northern Cedar Falls Development:** For the past fifteen years, the concept for a Northern Industrial Park has been considered; however, the biggest challenge was funding for the needed infrastructure improvements. After the 2008 Flood, a grant for infrastructure improvements was available from the U.S. Department of Commerce. The grant was for flood related economic programs to impacted communities. The City of Cedar Falls was awarded a \$5.5 million grant. This grant allowed the City to move ahead with the Northern Industrial Park at a total project cost of \$8.5 million. The City purchased 103 acres of land located north of the river and along Highway 218. The City then hired an engineering firm to design the grading and infrastructure layout.

The unique feature of the Northern Industrial Park is the access to rail service. It is the only site in Cedar Falls that can provide rail access and will allow the City to market to different types of companies. The first occupant of the northern industrial park is a co-op that was severely affected by the 2008 Flood. This allowed the co-op to move out of the floodplain and have its necessary rail access. The completion date of the Park is expected in fall, 2011. The City will continue to market companies to this new Northern Industrial Park. The City believes it will have great economic opportunities which were not available before due to the location of the Park next to the highway, rail access, and its proximity to a municipal airport.

**Industrial and Technology Park:** The original Industrial and Technology Park located in the southwest portion of the City continues to grow and expand as noted above. There are now 165 companies employing approximately 6,000 employees. There is 6,500,000 square feet of completed building space. Total valuation in this district is over \$200 million. This generates approximately \$7 million in Tax Increment Financing (TIF) revenue for the City annually.

During FY11, five new companies started with building valuations at approximately \$27.6 million. Moving into FY12, we have eight companies that have committed to moving into the Industrial Park. The total valuations for these companies are estimated at \$32.7 million.

#### **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, 2011, 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, 2010. 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.

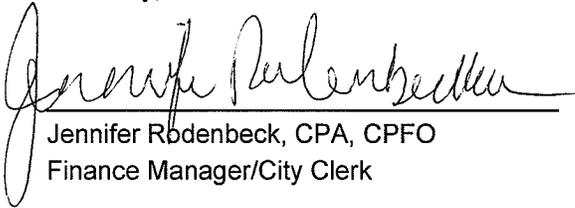
A Certificate of Achievement is valid for a period of one year only. The City of Cedar Falls has received a Certificate of Achievement for the last twenty-one consecutive years (fiscal years ended 1990-2010). We believe our current report continues to conform to the Certificate of Achievement program 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, 2010. 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 seventeen years.

**ACKNOWLEDGMENTS**

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance/Public Records Division, particularly Lisa Roeding, Deputy Finance Manager and Cathy Niebergall, Financial Technician. 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.

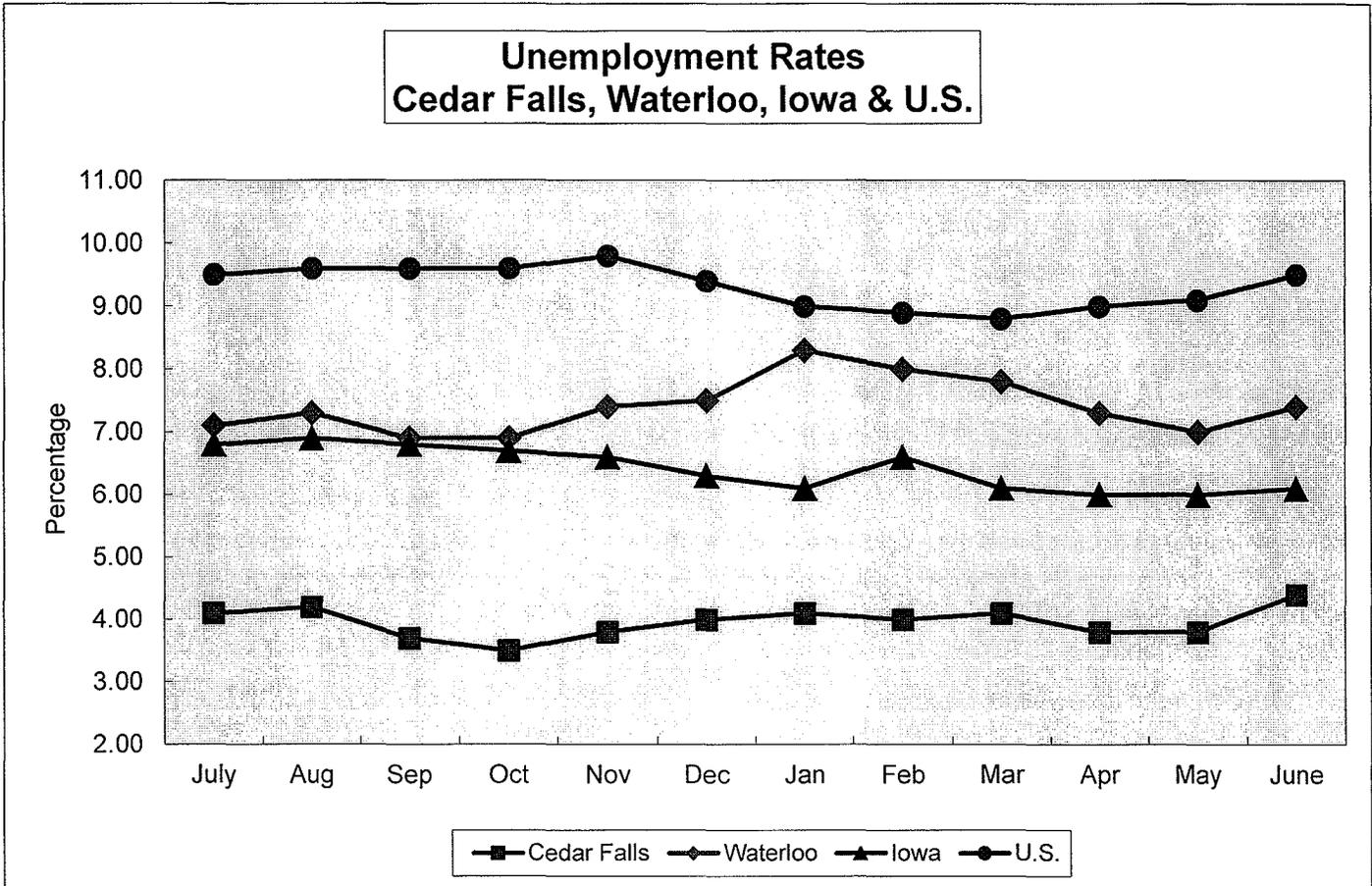
Sincerely,



Jennifer Rodenbeck, CPA, CPFO  
Finance Manager/City Clerk

ATTACHMENT A

Unempl

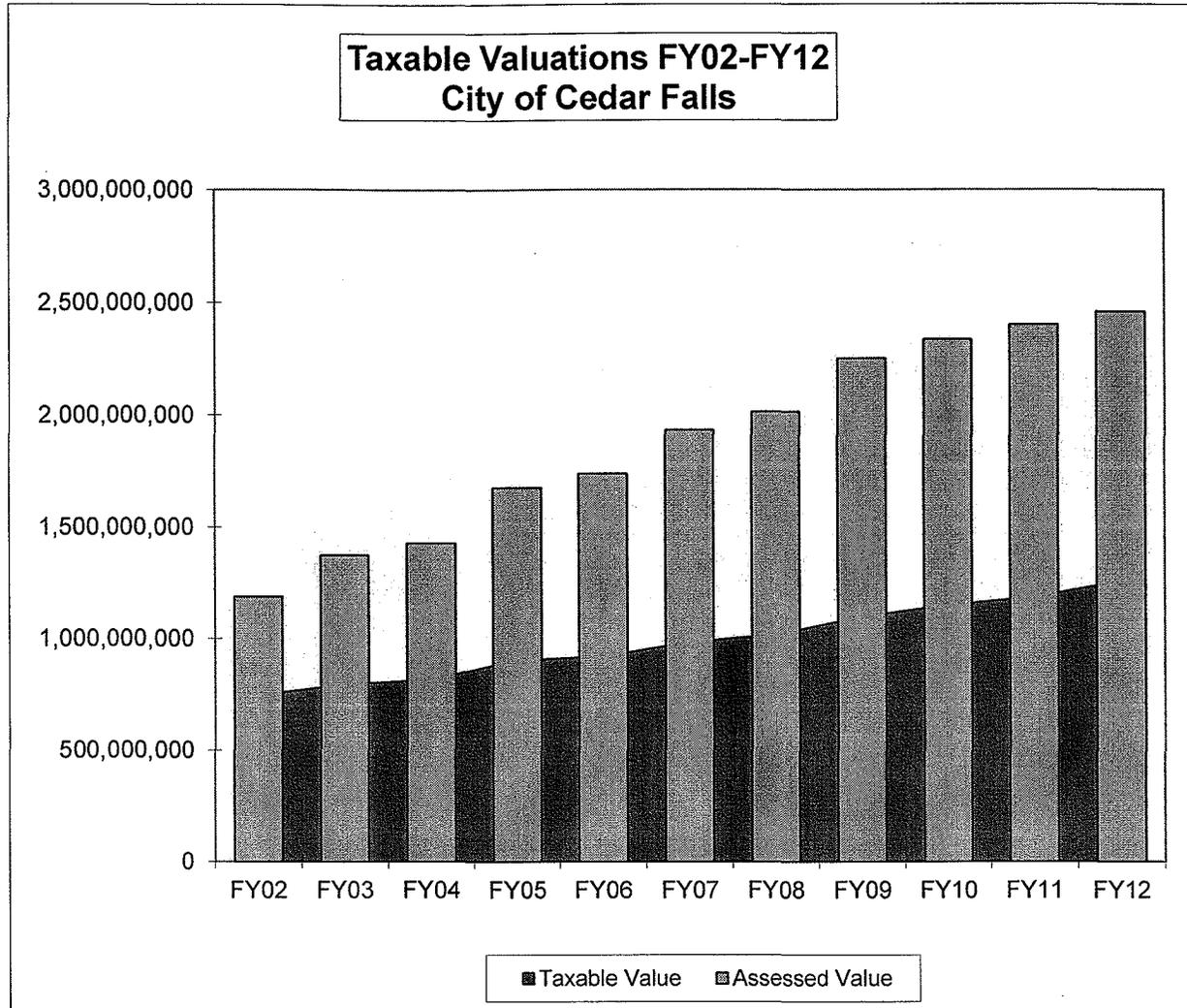


**Unemployment Rates  
Cedar Falls, Waterloo, Iowa & U.S.**

Month 10-11	Cedar Falls (In %)	Waterloo (In %)	Iowa (In %)	U.S. (In %)
July	4.1	7.1	6.8	9.5
Aug	4.2	7.3	6.9	9.6
Sep	3.7	6.9	6.8	9.6
Oct	3.5	6.9	6.7	9.6
Nov	3.8	7.4	6.6	9.8
Dec	4.0	7.5	6.3	9.4
Jan	4.1	8.3	6.1	9.0
Feb	4.0	8.0	6.6	8.9
Mar	4.1	7.8	6.1	8.8
Apr	3.8	7.3	6.0	9.0
May	3.8	7.0	6.0	9.1
June	4.4	7.4	6.1	9.5
Average	4.0	7.4	6.4	9.3

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.



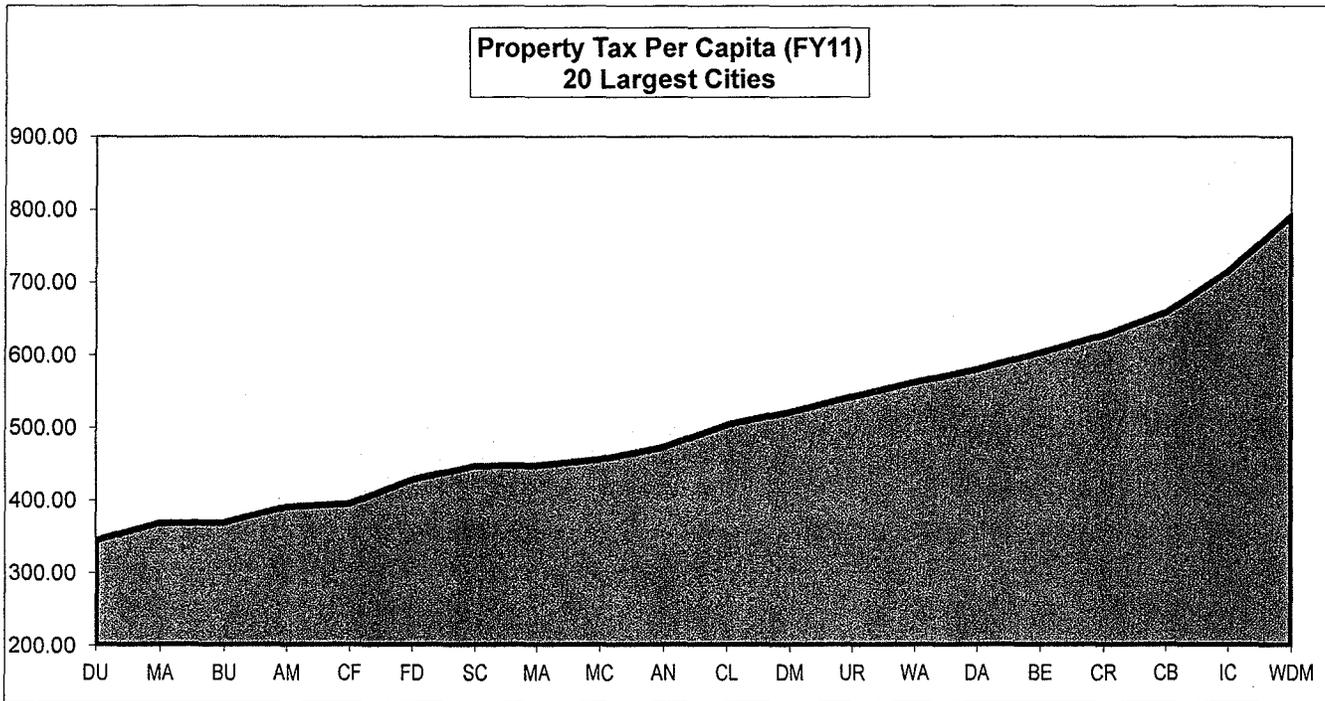
Year	Taxable Value	Assessed Value
FY02	747,955,311	1,188,336,276
FY03	794,505,253	1,374,429,803
FY04	817,896,980	1,427,127,146
FY05	903,439,479	1,673,902,007
FY06	920,739,030	1,737,456,552
FY07	985,250,869	1,931,758,484
FY08	1,018,530,684	2,013,812,356
FY09	1,098,295,277	2,252,421,925
FY10	1,150,078,051	2,336,646,915
FY11	1,185,969,161	2,402,107,961
FY12	1,254,821,347	2,458,320,459

The last ten years have provided a steady growth trend in assessed valuations. In addition, FY08 was the first year that assessed values exceeded \$2 billion and taxable values exceeded \$1 billion.

For FY12, assessed values increased by \$56,212,498. However, taxable values increased by \$68,852,186 due mostly to the change in the residential rollback factor to 48.53% for FY12.

ATTACHMENT C

Citytaxr



Property Tax Per Capita (FY11)  
20 Largest Iowa Cities

City	FY11 Tax Per Person	2010 Population	Abbreviation
Dubuque	344.55	57,637	DU
Marshalltown	368.73	27,552	MA
Burlington	369.11	25,663	BU
Ames	391.08	58,965	AM
<b>Cedar Falls</b>	<b>395.53</b>	<b>39,260</b>	<b>CF</b>
Fort Dodge	428.46	25,206	FD
Sioux City	447.03	82,684	SC
Marion	447.77	34,768	MA
Mason City	456.23	28,079	MC
Ankeny	472.96	45,582	AN
Clinton	504.03	26,885	CL
Des Moines	521.28	203,433	DM
Urbandale	542.43	39,463	UR
Waterloo	562.10	68,406	WA
Davenport	579.42	99,685	DA
Bettendorf	602.34	33,217	BE
Cedar Rapids	626.66	126,326	CR
Council Bluffs	657.74	62,230	CB
Iowa City	714.60	67,862	IC
West Des Moines	791.96	56,609	WDM
<b>Average</b>	<b>511.20</b>		

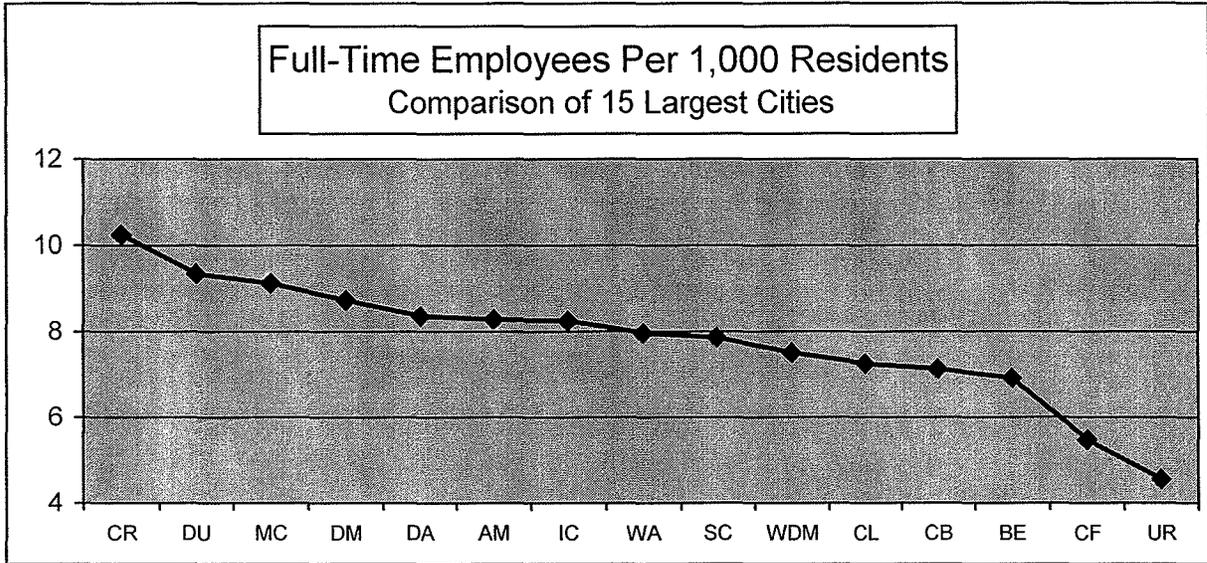
For over two decades Cedar Falls' local government has operated at one of the lowest per capita property tax rates among the 20 largest cities in Iowa.

At a cost of \$395.53 per person, the City is substantially below the average rate of \$511.20. 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 4.5 million dollars would be devoted to operations. This would be an increase of 29% of taxes levied in FY11.

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



City	FY10 Employees	2010 Population	Employees Per 1,000
Cedar Rapids	1295.0	126,326	10.25
Dubuque	539.0	57,637	9.35
Mason City	256.0	28,079	9.12
Des Moines	1775.0	203,433	8.73
Davenport	833.0	99,685	8.36
Ames	489.0	58,965	8.29
Iowa City	560.0	67,862	8.25
Waterloo	545.0	68,406	7.97
Sioux City	650.0	82,682	7.86
W. Des Moines	425.0	56,609	7.51
Clinton	195.0	26,885	7.25
Council Bluffs	444.0	62,230	7.13
Bettendorf	230.0	33,217	6.92
<b>Cedar Falls</b>	<b>215.0</b>	<b>39,260</b>	<b>5.48</b>
Urbandale	180.0	39,463	4.56
Average:			7.80

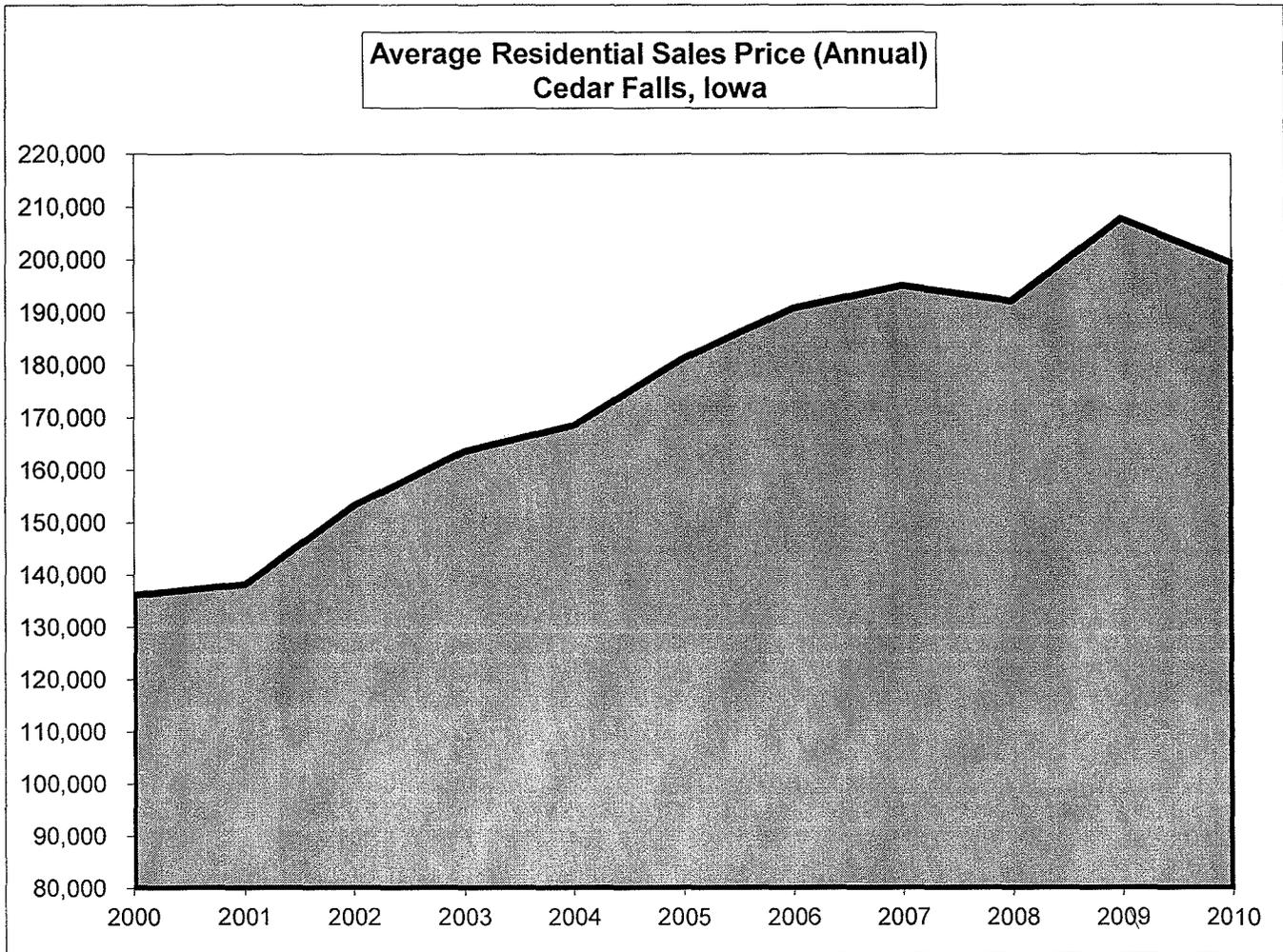
Cedar Falls city government continued to have one of the lowest number of employees per 1,000 capita comparing the top 15 largest cities.

Cedar Falls has 2.3 employees per 1,000 capita less than the state average, which is equivalent to 90 fewer full-time employees.

Employment reductions have been implemented over the last 10 years, which has streamlined Cedar Falls' employment.

ATTACHMENT E

Resale12



Year	Average Sales Price
2000	136,175
2001	138,226
2002	153,312
2003	163,637
2004	168,589
2005	181,310
2006	190,828
2007	195,080
2008	192,154
2009	207,754
2010	199,318
Average	175,126

The average sale price of residential properties in Cedar Falls has grown by 46% between 2000 - 2010 from \$136,175 to \$199,318.

However, in 2010 the average sale price declined. This may be an indication that assessed values will be revaluated for the FY13 budget year.

# 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, 2010

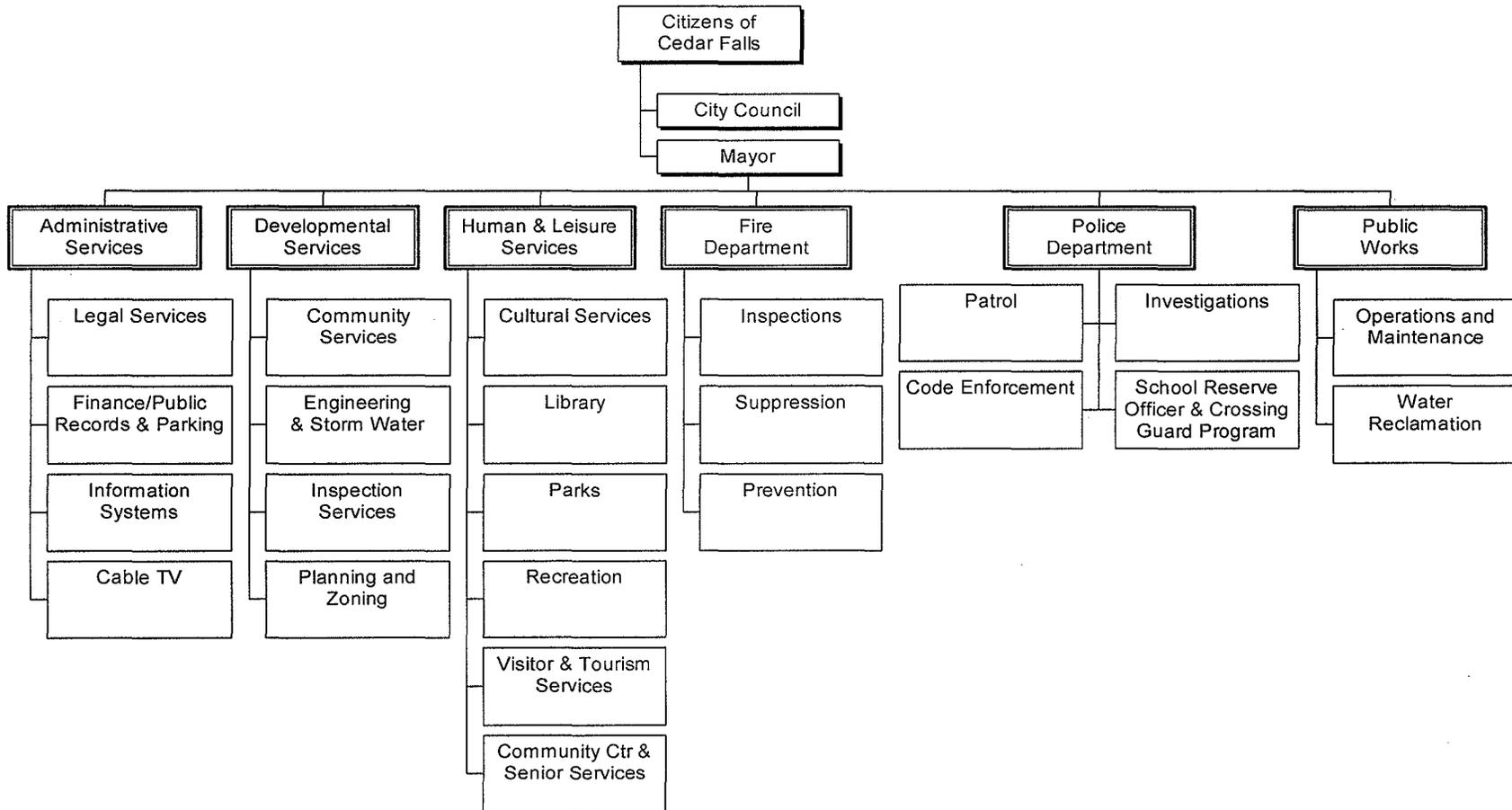
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



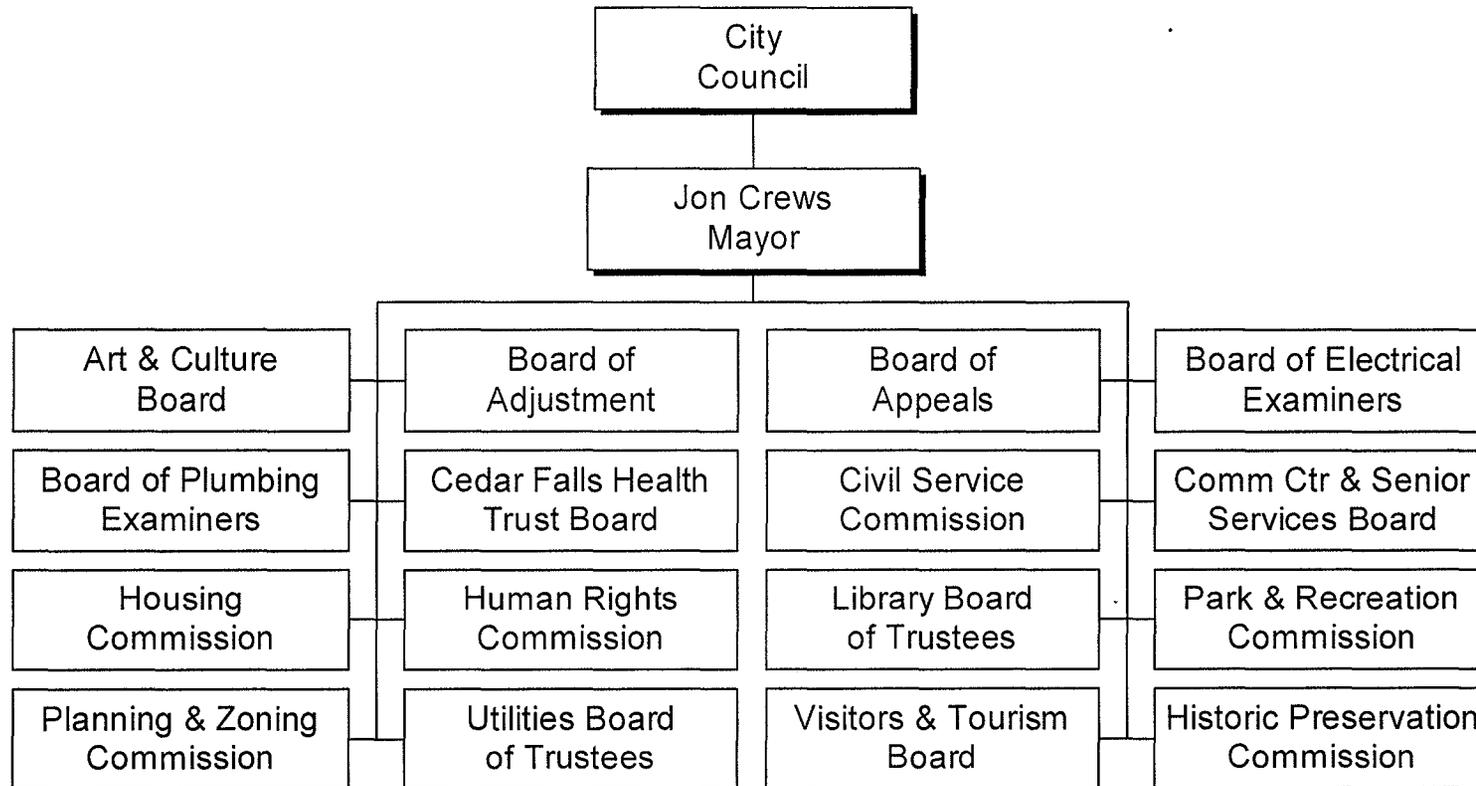
President

Executive Director

**City of Cedar Falls, Iowa  
Organizational Chart**



# City of Cedar Falls, Iowa Boards and Commissions



**CITY OF CEDAR FALLS, IOWA**

**PRINCIPAL OFFICIALS**

**June 30, 2011**

<b>Title</b>	<b>Name</b>
Mayor	Jon Crews
Council Member – 1 <sup>st</sup> Ward	Tom Hagarty
Council Member – 2 <sup>nd</sup> Ward	Susan deBuhr
Council Member – 3 <sup>rd</sup> Ward	John Runchey
Council Member – 4 <sup>th</sup> Ward	Kamyar Enshayan
Council Member – 5 <sup>th</sup> Ward	Frank Darrah
Council Member – At Large	Nick Taiber
Council Member – At Large	Dave Wieland
Administrative Services Director	Richard L. McAlister
Developmental Services Director	Ron Gaines
Human & Leisure Services Director	Ward Stubbs
Fire Chief	John Schilling
Police Chief	Jeff Olson
Public Works Director	Bruce Sorensen
City Attorney	Steve Moore
City Attorney	Tomas Meyer
Finance Manager/City Clerk	Jennifer Rodenbeck
Information Systems Manager	Laurene Saathoff
Cable TV Manager	Kirk Eastman
City Engineer	Randy Lorenzen
City Planner	Marty Ryan
Community Services Manager	Robert Seymour
Inspection Services Manager	Craig Witry
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
Operations and Maintenance Manager	Brian Heath
Water Reclamation Manager	Lyle Krueger
Cedar Falls Utilities General Manager	Jim Krieg



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, 2011, 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 did not audit the financial statements of the Cedar Falls Utilities, which represent the entire assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cedar Falls Utilities, is based on the report of the other auditors.

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, based on our audit and the report of other auditors, the financial statements referred to previously 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, 2011, 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.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report, under separate cover, dated October 28, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the City of Cedar Falls, Iowa, as a whole. The introductory section, combining nonmajor fund financial statements, capital assets schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

*Eide Bailly LLP*

Dubuque, Iowa  
October 28, 2011

## 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, 2011. Please read it in conjunction with the transmittal letter found on pages 1 – 11 of this report.

### 2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 16.80%, or \$8,527,055, from fiscal year 2010 to fiscal year 2011. Property taxes increased \$1,310,691 for all activities.
- Program expenses decreased 3.28%, or \$1,452,350 in fiscal year 2011 from fiscal year 2010. Public Safety expenses increased by \$899,780.
- The City's net assets increased 8.64%, or \$22,262,407, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased by \$14,183,855 and the net assets of the business-type activities increased by \$8,078,552.

### 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, refuse, and storm water 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 20 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, TIF Fund, Street Repair Fund, Street Construction Fund, Debt Service Fund, FEMA Fund, and Bond Fund, all of which are considered to be major funds. Data from the other twelve 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, refuse and storm water 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, Refuse Fund, and Storm Water Fund, all 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	
	2011	2010	2011	2010	2011	2010
Current and						
other assets	\$ 107,889,204	\$ 108,024,037	\$ 8,500,022	\$ 8,052,661	\$ 116,389,226	\$ 116,076,698
Capital assets	159,248,839	146,541,131	55,715,654	48,652,504	214,964,493	195,193,635
Total assets	267,138,043	254,565,168	64,215,676	56,705,165	331,353,719	311,270,333
Long-term debt	\$ 14,767,474	\$ 18,035,731	\$ 4,136,629	\$ 4,708,019	\$ 18,904,103	\$ 22,743,750
Other liabilities	31,860,716	30,203,439	830,344	826,995	32,691,060	31,030,434
Total liabilities	\$ 46,628,190	\$ 48,239,170	\$ 4,966,973	\$ 5,535,014	\$ 51,595,163	\$ 53,774,184
Net assets:						
Invested in capital						
assets, net of						
related debt	\$ 145,480,365	\$ 131,237,132	\$ 52,510,319	\$ 46,273,076	\$ 197,990,684	\$ 177,510,208
Restricted	24,090,200	22,341,338	9,500	9,500	24,099,700	22,350,838
Unrestricted	50,939,288	52,747,528	6,728,884	4,887,575	57,668,172	57,635,103
Total net assets	\$ 220,509,853	\$ 206,325,998	\$ 59,248,703	\$ 51,170,151	\$ 279,758,556	\$ 257,496,149

Net assets of governmental activities increased from FY10 by approximately \$14.2 million, or 6.87%. This increase was due primarily to the continued strength of the property tax base and the flood related grants received by the City. Net assets of business-type activities increased from FY10 by approximately \$8.1 million, or 15.79%. This increase was due to transfers from the FEMA fund to replace assets the Refuse Fund lost in the 2008 flood. In addition, this was the fifth year that storm water fees were collected. 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 \$58 million at the end of the year.

For the year ended June 30, 2011, net assets changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 4,673,744	\$ 4,595,625	\$ 8,262,718	\$ 7,989,853	\$ 12,936,462	\$ 12,585,478
Operating grants and contributions	2,360,697	1,606,798	-	-	2,360,697	1,606,798
Capital grants and contributions	15,073,637	8,928,178	460,559	128,795	15,534,196	9,056,973
<b>General Revenues</b>						
Property taxes	23,378,676	22,066,237	-	1,748	23,378,676	22,067,985
Local Option Sales Tax	4,600,570	4,363,353	-	-	4,600,570	4,363,353
Hotel/Motel Tax & Other	690,976	659,147	-	-	690,976	659,147
Use of money and property	1,344,936	1,640,456	37,934	76,663	1,382,870	1,717,119
Intergovernmental	4,269,954	4,258,253	-	-	4,269,954	4,258,253
Miscellaneous	1,324,189	1,127,964	-	-	1,324,189	1,127,964
Gain on Sale of assets	5,667	--	-	-	5,667	-
Utility contribution	1,575,010	1,524,990	-	-	1,575,010	1,524,990
<b>Total revenues</b>	<b>\$ 59,298,056</b>	<b>\$ 50,771,001</b>	<b>\$ 8,761,211</b>	<b>\$ 8,197,059</b>	<b>\$ 68,059,267</b>	<b>\$ 58,968,060</b>
<b>Expenses</b>						
Public safety	\$ 8,625,520	\$ 7,725,740	\$ -	\$ -	\$ 8,625,520	\$ 7,725,740
Public works	10,949,200	10,699,831	-	-	10,949,200	10,699,831
Health and social services	326,666	164,836	-	-	326,666	164,836
Culture and recreation	7,104,212	6,864,804	-	-	7,104,212	6,864,804
Community and economic development	7,291,549	7,019,195	-	-	7,291,549	7,019,195
General government	4,493,885	4,797,762	-	-	4,493,885	4,797,762
Debt service	551,543	741,933	-	-	551,543	741,933
Sewer	-	-	3,223,475	3,187,378	3,223,475	3,187,378
Refuse	-	-	2,537,735	2,410,813	2,537,735	2,410,813
Storm Water	-	-	693,075	732,218	693,075	732,218
<b>Total expenses</b>	<b>\$ 39,342,575</b>	<b>\$ 38,014,101</b>	<b>\$ 6,454,285</b>	<b>\$ 6,330,409</b>	<b>\$ 45,796,860</b>	<b>\$ 44,344,510</b>
<b>Increase in net assets</b>						
before transfers	\$ 19,955,481	\$ 12,756,900	\$ 2,306,926	\$ 1,866,650	\$ 22,262,407	\$ 14,623,550
Transfers	(5,771,626)	82,559	5,771,626	(82,559)	-	-
<b>Increase in net assets</b>	<b>\$ 14,183,855</b>	<b>\$ 12,839,459</b>	<b>\$ 8,078,552</b>	<b>\$ 1,784,091</b>	<b>\$ 22,262,407</b>	<b>\$ 14,623,550</b>
Net assets, beginning	206,325,998	193,486,539	51,170,151	49,386,060	257,496,149	242,872,599
<b>Net assets, ending</b>	<b>\$ 220,509,853</b>	<b>\$ 206,325,998</b>	<b>\$ 59,248,703</b>	<b>\$ 51,170,151</b>	<b>\$ 279,758,556</b>	<b>\$ 257,496,149</b>

Property tax revenue increased by approximately \$1.3 million from FY10 due to increased TIF revenue. FEMA grants for property buyouts related to the 2008 Flood, caused capital grants and contributions to increase for FY11.

**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 \$58,979,788. \$382,546 is nonspendable for inventory. \$27,037,209 is restricted for TIF, debt service, road use tax funds, local option sales tax, employee retirement systems, bond proceeds and various grants. \$15,697,718 is committed for the City’s health trust fund and parking fund. \$12,203,671 is assigned for recreational capital funds, police forfeiture funds, economic development and capital improvements. This leaves \$3,658,644 for unassigned fund balances in the governmental funds.

The Governmental fund balances decreased by \$899,958, or 1.50%. This decrease was due in part to the decrease in the Bond Fund. Capital projects utilizing bond proceeds sold in prior years were spent out in FY11.

The General Fund is the chief operating fund of the City of Cedar Falls. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,498,432, while the total fund balance totaled \$8,125,280. 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. Unassigned fund balance represents 32.4% of the total General Fund expenditures, while the total fund balance represents 40.5% of that same amount.

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

	FY11 Amount	FY10 Amount	Increase (Decrease)
Hospital Fund	\$ 14,830,134	\$ 14,303,622	\$ 526,512
TIF Fund	36,400	97,128	(60,728)
Street Repair Fund	13,913,184	12,803,158	1,110,026
Street Construction Fund	4,542,130	3,749,867	792,263
Debt Service Fund	253,903	236,610	17,293
FEMA Fund	(2,840,288)	(1,740,555)	(1,099,733)
Bond Fund	1,393,720	2,805,648	(1,411,928)
Other Governmental Funds	18,725,325	19,336,581	(611,256)

The Street Repair Fund had the largest increase in fund balance due to the increase in local option sales tax received.

The Street Construction Fund had an increase in fund balance due to the increase in road use taxes received.

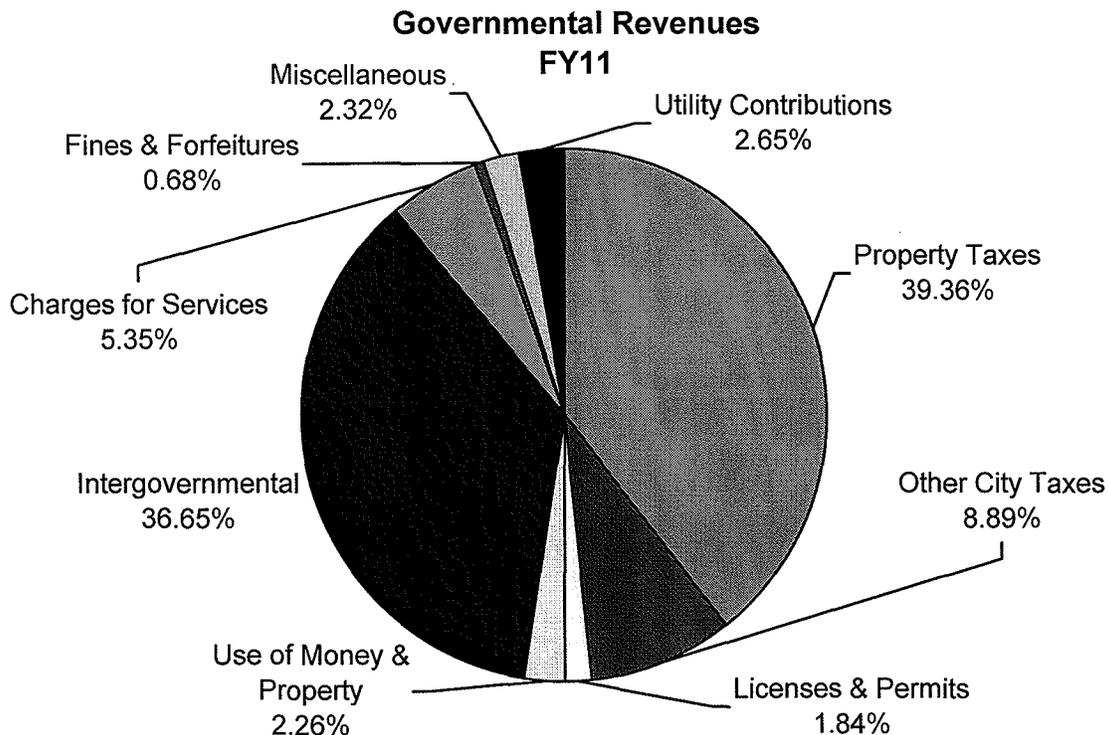
The FEMA Fund had a decrease in fund balance due to expenditures for the flood buyout program and the timing of reimbursements received.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2011 and June 30, 2010.

Revenues	FY11 Amount	Percent of Total	FY10 Amount	Increase (Decrease) from FY10	Percent of Increase (Decrease)
Property taxes and assessments	\$ 23,378,676	39.36 %	\$ 22,066,237	\$ 1,312,439	11.80 %
Other city taxes	5,282,406	8.89	5,029,677	252,729	2.27
Licenses and permits	1,093,024	1.84	1,106,716	(13,692)	(0.12)
Use of money and property	1,344,936	2.26	1,640,456	(295,520)	(2.66)
Intergovernmental	21,764,416	36.65	12,351,723	9,412,693	84.62
Charges for services	3,179,755	5.35	3,115,157	64,598	0.58
Fines and forfeitures	400,965	0.68	373,752	27,213	0.24
Miscellaneous	1,370,497	2.32	1,057,446	313,051	2.81
Utility contribution in lieu of taxes	1,575,010	2.65	1,524,990	50,020	0.46
	<u>\$ 59,389,685</u>	<u>100.00 %</u>	<u>\$ 48,266,154</u>	<u>\$ 11,123,531</u>	<u>100.00 %</u>

The most significant increase in revenues was in intergovernmental. The increase was due to the receipt of FEMA disaster assistance payments and IJOBS grant revenues for the new Public Works Complex. The second most significant increase was in property taxes and assessments. The increase was due to increased TIF revenues from the City's two TIF districts.

The most significant decrease in revenues was in use of money and property. This was caused by falling interest rates on the City's investments.

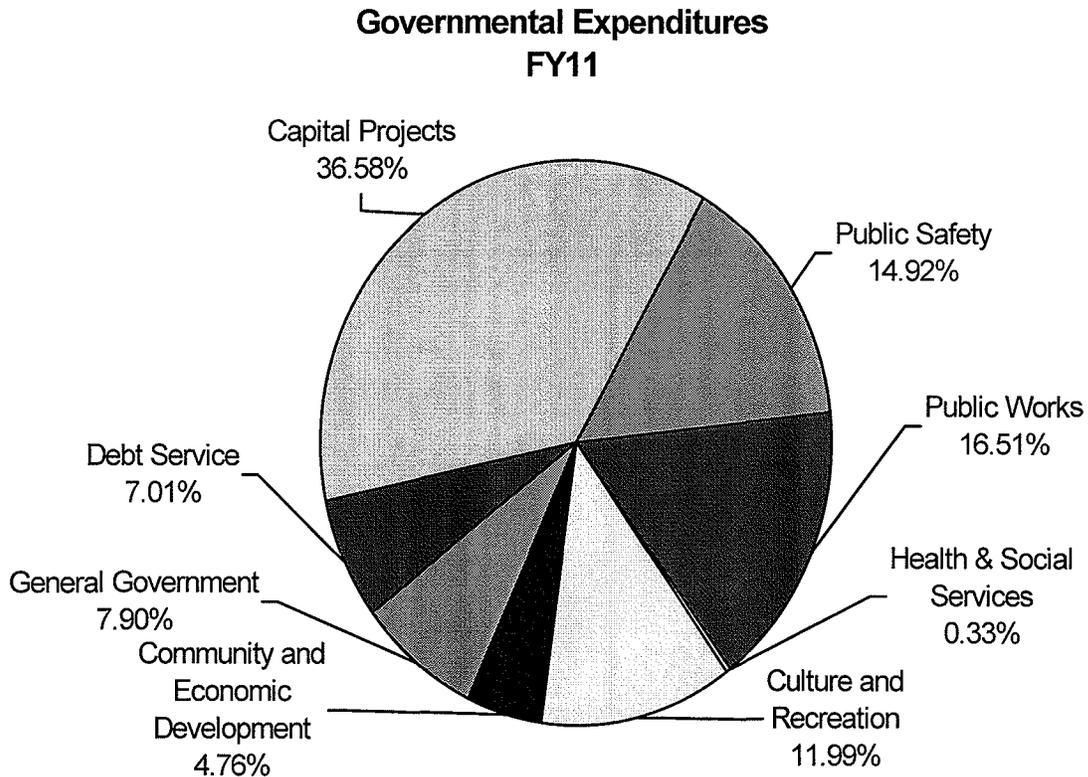


The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2011 and June 30, 2010.

Expenditures	FY11 Amount	Percent of Total	FY10 Amount	Increase (Decrease) from FY10	Percent of Increase (Decrease)
Public Safety	\$ 8,155,206	14.92 %	\$ 7,922,903	\$ 232,303	4.79 %
Public Works	9,027,992	16.51	8,816,278	211,714	4.37
Health & Social Services	178,084	0.33	87,304	90,780	1.87
Culture & Recreation	6,557,554	11.99	6,076,258	481,296	9.93
Community and Economic Development	2,602,604	4.76	2,291,861	310,743	6.41
General Government	4,316,949	7.90	4,613,684	(296,735)	(6.12)
Debt Service	3,831,048	7.01	3,658,057	172,991	3.57
Capital Projects	20,000,053	36.58	16,357,586	3,642,467	75.18
	<u>\$ 54,669,490</u>	<u>100.00 %</u>	<u>\$ 49,823,931</u>	<u>\$ 4,845,559</u>	<u>100.00 %</u>

The most significant increase in expenditures occurred in the capital projects function. This was due to several projects occurring during FY11, including disaster recovery expenditures.

The only decrease in expenditures occurred in the General Government. This was due to FY11 being a non-election year and the restructuring of the finance/public records division.



**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.

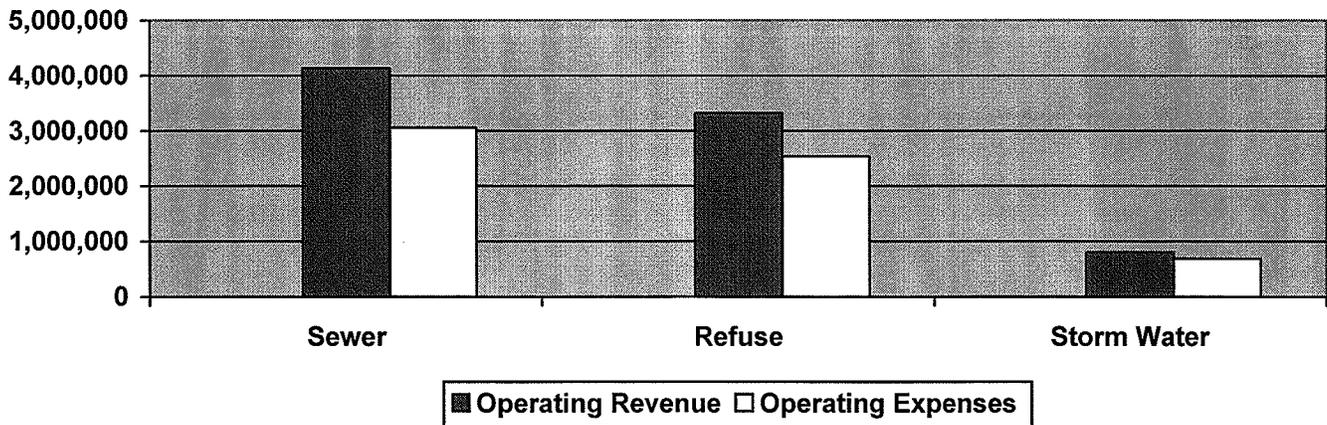
Unrestricted net assets of the Sewer, Refuse and Storm Water funds at the end of the year amounted to \$6,728,884. There are unrestricted assets in the Governmental Activities Internal Service fund of \$13,232,135.

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 three separate and distinct activities: Sewer, Refuse and Storm Water. Results of operations for these funds for the years ended June 30, 2011 and June 30, 2010 are as follows:

	Sewer		Refuse		Storm Water	
	2011	2010	2011	2010	2011	2010
Operating Revenues	\$ 4,138,346	\$ 4,015,527	\$ 3,318,008	\$ 3,186,384	\$ 806,364	\$ 787,942
Operating Expenses	3,060,099	2,985,577	2,537,735	2,393,296	693,075	732,218
Non-Operating Rev (Exp)	(139,573)	(149,470)	8,070	(4,495)	6,060	13,058
Capital Contributions	237,000	77,560	-	-	223,559	51,235
Operating Transfers, net	96,690	(73,160)	5,762,475	248,708	(87,538)	(258,107)
Net Income	1,272,364	884,880	6,550,818	1,037,301	255,370	(138,090)

**Proprietary Fund Operating Revenues & Expenses  
FY11**



**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the budget one time. This amendment was done in April 2011. The amendment was needed due to the City's participation in the Jumpstart, Buyout, Demolition, and Public Assistance Federal & State Programs. At the end of the year, 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, 2011, the City had approximately \$215 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 approximately \$19.7 million or 10.13% over last year.

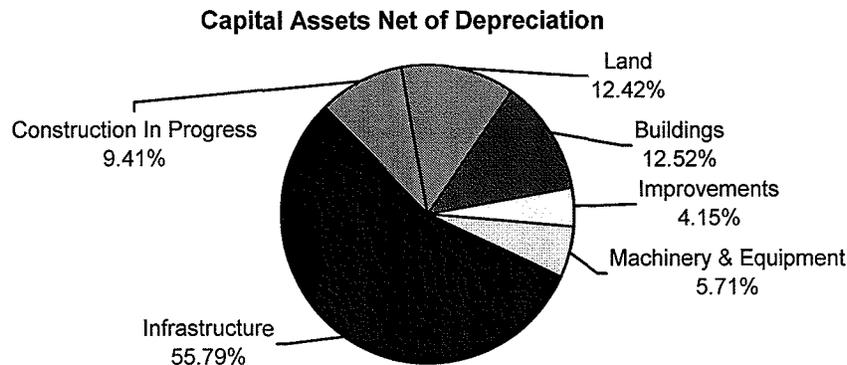
**City of Cedar Falls Capital Assets  
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 25,085,997	\$ 20,363,319	\$ 1,612,581	\$ 1,612,581	\$ 26,698,578	\$ 21,975,900
Buildings	19,367,172	19,572,863	7,554,947	7,828,512	26,922,119	27,401,375
Improvements other than buildings	8,919,734	8,935,794	-	-	8,919,734	8,935,794
Machinery and equipment	6,804,241	6,730,054	5,463,688	5,662,602	12,267,929	12,392,656
Infrastructure	88,501,528	80,795,030	31,427,080	29,900,203	119,928,608	110,695,233
Construction in progress	10,570,167	10,144,071	9,657,358	3,648,606	20,227,525	13,792,677
<b>Total</b>	<b>\$ 159,248,839</b>	<b>\$ 146,541,131</b>	<b>\$ 55,715,654</b>	<b>\$ 48,652,504</b>	<b>\$ 214,964,493</b>	<b>\$ 195,193,635</b>

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

- W. Viking Road Phase III.
- Technology Parkway.
- Purchase of land related to Flood Buyout Program.
- SW Branch Dry Run Creek.
- W. 23<sup>rd</sup> Street.
- New Public Works Complex

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 \$18,875,000 in outstanding bonds compared to \$22,685,000 last year. That is a decrease of \$3,810,000 or 16.80%.

**City of Cedar Falls Outstanding Debt  
General Obligation Debt**

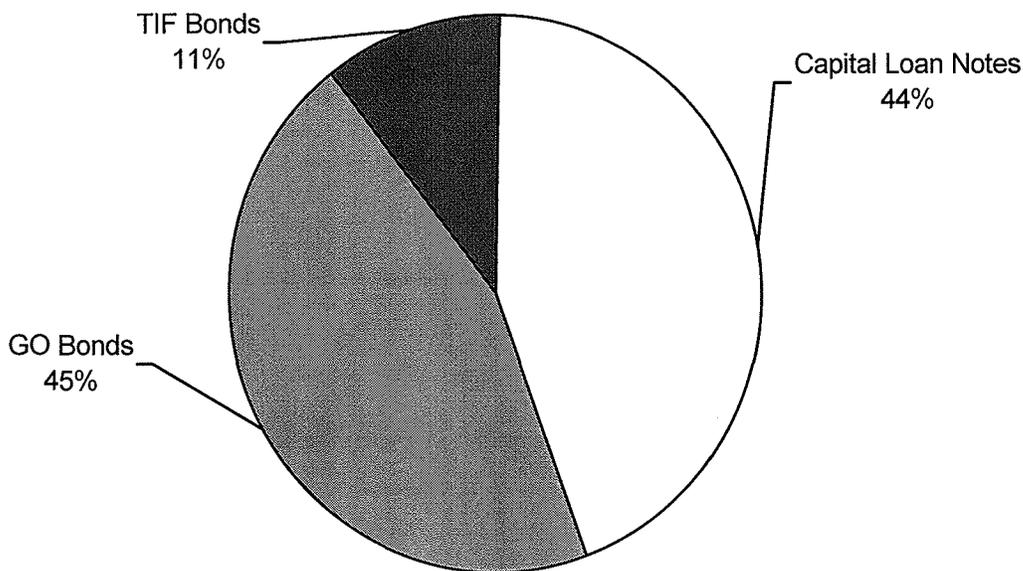
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,340,000	\$ 5,360,000	\$ 4,160,000	\$ 4,735,000	\$ 8,500,000	\$ 10,095,000
Tax increment financing	2,015,000	2,865,000	–	–	2,015,000	2,865,000
Capital loan notes	8,360,000	9,725,000	–	–	8,360,000	9,725,000
<b>Total</b>	<b>\$ 14,715,000</b>	<b>\$ 17,950,000</b>	<b>\$ 4,160,000</b>	<b>\$ 4,735,000</b>	<b>\$ 18,875,000</b>	<b>\$ 22,685,000</b>

The City of Cedar Falls was upgraded to a Aa1 rating from Moody’s Investor Services for all general obligation issuances. This was a result of Moody’s recalibrating their U.S. municipal rating scale.

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, 2011, the City’s legal debt margin was \$101,324,381.

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  
FY11**



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the state legislative session in 2004, the legislature permanently eliminated certain state funding to local governments starting with FY2005 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 FY12. The tax levy rate per \$1,000 of taxable valuation for FY12 is provided below:

General levy	\$ 8.10
Trust and Agency levy	3.05
Debt Service levy	1.06
Transit levy	.27
Library levy	.27
Liability Insurance levy	.09
Municipal Band levy	<u>.02</u>
Total levy	\$ 12.86

## 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, Iowa**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 72,524,348	\$ 7,381,314	\$ 79,905,662
Certificates of deposit	--	--	--
Receivables, net of allowance for uncollectible amounts:			
Property taxes	24,071,860	--	24,071,860
Other city taxes	928,036	--	928,036
Accrued interest	112,486	14,168	126,654
Special assessments	8,858	--	8,858
Notes from associated company	--	--	--
Customers	--	--	--
Human & Leisure services contributions	3,690,295	--	3,690,295
Other	906,796	1,059,860	1,966,656
Due from component unit	800,000	--	800,000
Due from other governments	4,311,354	--	4,311,354
Inventories	535,172	44,680	579,852
Prepays and other assets	--	--	--
Restricted assets:			
Cash	--	--	--
Certificates of deposit	--	--	--
Capital assets:			
Land	25,085,997	1,612,581	26,698,578
Land improvements	12,874,263	--	12,874,263
Buildings	27,419,613	12,714,794	40,134,407
Machinery and equipment	15,896,880	7,488,086	23,384,966
Infrastructure	151,662,716	44,558,376	196,221,092
Construction in progress	10,570,167	9,657,358	20,227,525
Accumulated depreciation	(84,260,797)	(20,315,541)	(104,576,338)
Total assets	<u>\$ 267,138,044</u>	<u>\$ 64,215,676</u>	<u>\$ 331,353,720</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,317,736	\$ 289,972	\$ 3,607,708
Accrued liabilities	1,694,329	113,440	1,807,769
Due to primary government	--	--	--
Note payable to associated company	--	--	--
Unearned revenue	23,935,310	--	23,935,310
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	3,415,000	590,000	4,005,000
Compensated absences	745,002	124,140	869,143
Portion due or payable after one year:			
Bonds payable	11,352,474	3,546,629	14,899,103
Compensated absences	1,869,436	302,792	2,172,228
Net OPEB liability	298,903	--	298,903
Total liabilities	<u>\$ 46,628,190</u>	<u>\$ 4,966,973</u>	<u>\$ 51,595,163</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 145,480,365	\$ 52,510,319	\$ 197,990,684
Restricted:			
Streets	18,321,355	--	18,321,355
Debt service	253,904	--	253,904
Employee retirement system	5,478,541	--	5,478,541
TIF	36,400	--	36,400
Post closure costs	--	9,500	9,500
Unrestricted	50,939,288	6,728,884	57,668,172
Total net assets	<u>\$ 220,509,853</u>	<u>\$ 59,248,703</u>	<u>\$ 279,758,556</u>

See notes to financial statements

Component Units

	Electric Utility	Gas Utility	Water Utility	Communications Utility
\$	20,692,260	\$ 9,243,253	\$ 2,743,441	\$ 5,568,343
	7,033,567	--	--	--
	--	--	--	--
	--	--	--	--
	56,526	98	62	2,847
	--	--	--	--
	1,233,090	--	--	--
	4,529,686	2,293,125	417,630	1,417,540
	--	--	--	--
	1,371,826	106,429	6,635	114,228
	--	--	--	--
	2,568,139	139,947	38,587	61,525
	8,740,723	152,070	107,621	1,429,977
	1,069,683	31,160	17,304	216,934
	11,208,564	243,462	110,986	8,775,696
	6,382,913	--	--	1,678,178
	1,071,983	41,350	63,466	--
	4,683	--	--	--
	22,868,106	1,968,345	807,702	--
	20,129,767	692,226	430,338	385,777
	137,741,044	17,483,213	25,008,824	21,891,049
	2,144,187	162,863	887,821	3,178,607
	(72,973,815)	(8,720,983)	(8,053,440)	(10,226,623)
\$	<u>175,872,932</u>	<u>\$ 23,836,558</u>	<u>\$ 22,586,977</u>	<u>\$ 34,494,078</u>
\$	4,137,141	\$ 1,721,153	\$ 134,299	\$ 1,022,348
	3,257,826	1,263,829	144,192	469,811
	750,000	--	--	--
	--	--	--	1,233,090
	--	--	--	--
	2,110,000	--	--	1,390,000
	--	--	--	--
	54,200,225	--	--	17,325,448
	703,316	168,142	74,685	121,362
	524,635	155,457	98,739	62,013
\$	<u>65,683,143</u>	<u>\$ 3,308,581</u>	<u>\$ 451,915</u>	<u>\$ 21,624,072</u>
\$	64,351,040	\$ 11,627,014	\$ 19,144,711	\$ 3,747,880
	--	--	--	--
	7,162,009	--	--	1,914,866
	--	--	--	--
	--	--	--	--
	--	--	--	--
	38,676,740	8,900,963	2,990,351	7,207,260
\$	<u>110,189,789</u>	<u>\$ 20,527,977</u>	<u>\$ 22,135,062</u>	<u>\$ 12,870,006</u>

**City of Cedar Falls, Iowa**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
Public safety	\$ 8,625,520	\$ 661,784	\$ 163,132	\$ --
Public works	10,949,200	217,172	--	11,386,092
Health and social services	326,666	--	--	--
Culture and recreation	7,104,212	2,206,722	1,647,631	--
Community and economic development	7,291,549	--	--	3,687,545
General government	4,493,885	1,588,066	549,934	--
Interest on long-term debt and related fees	551,543	--	--	--
<b>Total governmental activities</b>	<b>\$ 39,342,575</b>	<b>\$ 4,673,744</b>	<b>\$ 2,360,697</b>	<b>\$ 15,073,637</b>
<b>Business-type activities:</b>				
Sewer	\$ 3,223,476	\$ 4,138,346	\$ --	\$ 237,000
Refuse	2,537,735	3,318,008	--	--
Storm Water	693,075	806,364	--	223,559
<b>Total business-type activities</b>	<b>\$ 6,454,286</b>	<b>\$ 8,262,718</b>	<b>\$ --</b>	<b>\$ 460,559</b>
<b>Total primary government</b>	<b>\$ 45,796,861</b>	<b>\$ 12,936,462</b>	<b>\$ 2,360,697</b>	<b>\$ 15,534,196</b>
<b>Component units</b>				
Electric Utility	\$ 46,979,389	\$ 55,325,872	\$ --	\$ 1,163,572
Gas Utility	14,363,310	13,813,417	--	50,327
Water Utility	2,780,849	3,023,832	--	138,005
Communications Utility	9,520,926	12,270,554	--	(68)
<b>Total component units</b>	<b>\$ 73,644,474</b>	<b>\$ 84,433,675</b>	<b>\$ --</b>	<b>\$ 1,351,836</b>

General revenues:

- Property taxes and assessments
- Local option sales tax
- Hotel/motel taxes
- Other city taxes
- Use of money and property
- Intergovernmental, not restricted to specific programs
- Miscellaneous
- Gain on sale of assets - governmental activities
- 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

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Electric Utility	Gas Utility	Water Utility	Communications Utility
\$ (7,800,604)	\$ --	\$ (7,800,604)	\$ --	\$ --	\$ --	\$ --
654,064	--	654,064	--	--	--	--
(326,666)	--	(326,666)	--	--	--	--
(3,249,859)	--	(3,249,859)	--	--	--	--
(3,604,004)	--	(3,604,004)	--	--	--	--
(2,355,885)	--	(2,355,885)	--	--	--	--
(551,543)	--	(551,543)	--	--	--	--
<u>\$ (17,234,497)</u>	<u>\$ --</u>	<u>\$ (17,234,497)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ 1,151,870	\$ 1,151,870	\$ --	\$ --	\$ --	\$ --
--	780,273	780,273	--	--	--	--
--	336,848	336,848	--	--	--	--
<u>\$ --</u>	<u>\$ 2,268,991</u>	<u>\$ 2,268,991</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>\$ (17,234,497)</u>	<u>\$ 2,268,991</u>	<u>\$ (14,965,506)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ 9,510,055	\$ --	\$ --	\$ --
--	--	--	--	(499,566)	--	--
--	--	--	--	--	380,988	--
--	--	--	--	--	--	2,749,560
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,510,055</u>	<u>\$ (499,566)</u>	<u>\$ 380,988</u>	<u>\$ 2,749,560</u>
\$ 23,378,676	\$ --	\$ 23,378,676	\$ --	\$ --	\$ --	\$ --
4,600,570	--	4,600,570	--	--	--	--
584,446	--	584,446	--	--	--	--
106,530	--	106,530	--	--	--	--
1,344,936	37,934	1,382,870	170,494	3,330	1,459	12,650
4,269,954	--	4,269,954	--	--	--	--
1,324,189	--	1,324,189	--	--	--	--
5,668	--	5,668	--	--	--	--
1,575,010	--	1,575,010	--	--	--	--
(5,771,627)	5,771,627	--	--	--	--	--
<u>\$ 31,418,352</u>	<u>\$ 5,809,561</u>	<u>\$ 37,227,913</u>	<u>\$ 170,494</u>	<u>\$ 3,330</u>	<u>\$ 1,459</u>	<u>\$ 12,650</u>
\$ 14,183,855	\$ 8,078,552	\$ 22,262,407	\$ 9,680,549	\$ (496,236)	\$ 382,447	\$ 2,762,210
206,325,998	51,170,151	257,496,149	100,509,240	21,024,213	21,752,615	10,107,796
<u>\$ 220,509,853</u>	<u>\$ 59,248,703</u>	<u>\$ 279,758,556</u>	<u>\$ 110,189,789</u>	<u>\$ 20,527,977</u>	<u>\$ 22,135,062</u>	<u>\$ 12,870,006</u>

**City of Cedar Falls, Iowa**

**Balance Sheet  
Governmental Funds  
June 30, 2011**

	Special Revenue			
	General Fund	Hospital Fund	TIF Fund	Street Repair Fund
<b>ASSETS</b>				
Cash	\$ 8,130,682	\$ 14,820,428	\$ --	\$ 13,664,104
Receivables, net of allowance for uncollectible amounts:				
Property taxes	14,198,213	--	7,333,358	--
Other city taxes	77,311	--	--	773,414
Accrued interest	25,045	9,706	--	18,843
Special assessments	--	--	--	--
Human & Leisure services contributions	3,690,295	--	--	--
Other	182,525	484,518	--	69,017
Due from component unit	800,000	--	--	--
Due from other funds	--	--	--	--
Due from other governments	30,142	--	--	--
Inventories	181,341	--	--	--
<b>Total assets</b>	<b>\$ 27,315,554</b>	<b>\$ 15,314,652</b>	<b>\$ 7,333,358</b>	<b>\$ 14,525,378</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 488,363	\$ --	\$ --	\$ 612,194
Accrued liabilities	822,808	--	--	--
Deferred revenue	17,879,103	484,518	7,296,958	--
Due to other funds	--	--	--	--
<b>Total liabilities</b>	<b>\$ 19,190,274</b>	<b>\$ 484,518</b>	<b>\$ 7,296,958</b>	<b>\$ 612,194</b>
<b>FUND BALANCES</b>				
Nonspendable	181,341	--	--	--
Restricted	--	--	36,400	13,913,184
Committed	--	14,830,134	--	--
Assigned	1,445,007	--	--	--
Unassigned	6,498,932	--	--	--
<b>Total fund balances</b>	<b>\$ 8,125,280</b>	<b>\$ 14,830,134</b>	<b>\$ 36,400</b>	<b>\$ 13,913,184</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,315,554</b>	<b>\$ 15,314,652</b>	<b>\$ 7,333,358</b>	<b>\$ 14,525,378</b>

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 is not due and payable in the current period and, therefore, is not reported in the funds.
- Accrued compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.
- Bonds 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
		FEMA Fund	Bond Fund		
\$ 4,145,345	\$ 243,921	\$ --	\$ 1,816,459	\$ 15,705,257	\$ 58,526,196
--	1,610,258	--	--	930,031	24,071,860
--	--	--	--	77,311	928,036
--	--	334	6,901	31,361	92,190
--	--	--	--	8,858	8,858
--	--	--	--	--	3,690,295
--	--	--	--	100,000	836,060
--	--	--	--	--	800,000
--	--	--	--	3,083,809	3,083,809
306,558	--	3,393,553	473,051	108,050	4,311,354
180,616	--	--	--	20,589	382,546
<u>\$ 4,632,519</u>	<u>\$ 1,854,179</u>	<u>\$ 3,393,887</u>	<u>\$ 2,296,411</u>	<u>\$ 20,065,266</u>	<u>\$ 96,731,204</u>
\$ 19,140	\$ --	\$ 987,873	\$ 817,457	\$ 196,295	\$ 3,121,322
71,249	--	--	--	21,288	915,345
--	1,600,276	2,162,493	85,234	1,122,358	30,630,940
--	--	3,083,809	--	--	3,083,809
<u>\$ 90,389</u>	<u>\$ 1,600,276</u>	<u>\$ 6,234,175</u>	<u>\$ 902,691</u>	<u>\$ 1,339,941</u>	<u>\$ 37,751,416</u>
180,616	--	--	--	20,589	382,546
4,361,514	253,903	--	1,393,720	7,078,488	27,037,209
--	--	--	--	867,584	15,697,718
--	--	--	--	10,758,664	12,203,671
--	--	(2,840,288)	--	--	3,658,644
<u>\$ 4,542,130</u>	<u>\$ 253,903</u>	<u>\$ (2,840,288)</u>	<u>\$ 1,393,720</u>	<u>\$ 18,725,325</u>	<u>\$ 58,979,788</u>
<u>\$ 4,632,519</u>	<u>\$ 1,854,179</u>	<u>\$ 3,393,887</u>	<u>\$ 2,296,411</u>	<u>\$ 20,065,266</u>	
					156,197,660
					6,695,630
					16,283,313
					(39,920)
					(2,839,144)
					(14,767,474)
					<u>\$ 220,509,853</u>

**City of Cedar Falls, Iowa**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	Special Revenue			
	General Fund	Hospital Fund	TIF Fund	Street Repair Fund
<b>Revenues:</b>				
Property taxes and assessments	\$ 13,476,230	\$ --	\$ 7,663,311	\$ --
Other city taxes	386,517	--	--	4,600,570
Licenses and permits	1,093,024	--	--	--
Use of money and property	97,722	689,302	--	63,728
Intergovernmental	762,167	--	--	--
Charges for services	3,129,457	--	--	--
Fines and forfeitures	220,136	--	--	--
Miscellaneous	171,167	544	--	806,337
Utility contribution in lieu of taxes	1,575,010	--	--	--
Total revenues	<u>\$ 20,911,430</u>	<u>\$ 689,846</u>	<u>\$ 7,663,311</u>	<u>\$ 5,470,635</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	\$ 7,257,284	\$ --	\$ --	\$ --
Public works	1,391,076	--	--	4,861,306
Health and social services	14,750	163,334	--	--
Culture and recreation	6,246,602	--	--	--
Community and economic development	824,799	--	--	--
General government	4,316,949	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>\$ 20,051,460</u>	<u>\$ 163,334</u>	<u>\$ --</u>	<u>\$ 4,861,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 859,970</u>	<u>\$ 526,512</u>	<u>\$ 7,663,311</u>	<u>\$ 609,329</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 438,130	\$ --	\$ --	\$ 533,409
Transfers out	(1,463,702)	--	(7,724,039)	(32,712)
Total other financing sources (uses)	<u>\$ (1,025,572)</u>	<u>\$ --</u>	<u>\$ (7,724,039)</u>	<u>\$ 500,697</u>
Net change in fund balances	<u>\$ (165,602)</u>	<u>\$ 526,512</u>	<u>\$ (60,728)</u>	<u>\$ 1,110,026</u>
Fund balances, beginning, as restated	8,287,687	14,303,622	97,128	12,803,158
Increase (decrease) in reserve for inventories	3,195	--	--	--
Fund balances, ending	<u>\$ 8,125,280</u>	<u>\$ 14,830,134</u>	<u>\$ 36,400</u>	<u>\$ 13,913,184</u>

See notes to financial statements

Special Revenue		Capital Projects				Total Governmental Funds
Street Construction Fund	Debt Service Fund	FEMA Fund	Bond Fund	Other Governmental Funds		
\$ --	\$ 1,674,697	\$ --	\$ --	\$ 564,438	\$ 23,378,676	
--	7,666	--	--	287,653	5,282,406	
--	--	--	--	--	1,093,024	
--	--	1,181	17,093	475,910	1,344,936	
3,478,755	--	11,357,781	4,397,007	1,768,706	21,764,416	
--	--	--	--	50,298	3,179,755	
--	--	--	--	180,829	400,965	
961	--	--	174,078	217,410	1,370,497	
--	--	--	--	--	1,575,010	
<u>\$ 3,479,716</u>	<u>\$ 1,682,363</u>	<u>\$ 11,358,962</u>	<u>\$ 4,588,178</u>	<u>\$ 3,545,244</u>	<u>\$ 59,389,685</u>	
\$ --	\$ --	\$ --	\$ --	\$ 897,922	\$ 8,155,206	
2,574,467	--	--	--	201,143	9,027,992	
--	--	--	--	--	178,084	
--	--	--	--	310,952	6,557,554	
--	--	--	--	1,777,805	2,602,604	
--	--	--	--	--	4,316,949	
--	3,831,048	--	--	--	3,831,048	
--	--	6,560,352	9,088,603	4,351,098	20,000,053	
<u>\$ 2,574,467</u>	<u>\$ 3,831,048</u>	<u>\$ 6,560,352</u>	<u>\$ 9,088,603</u>	<u>\$ 7,538,920</u>	<u>\$ 54,669,490</u>	
\$ 905,249	\$ (2,148,685)	\$ 4,798,610	\$ (4,500,425)	\$ (3,993,676)	\$ 4,720,195	
\$ 73,329	\$ 2,165,978	\$ 26,640	\$ 3,088,497	\$ 3,480,393	\$ 9,806,376	
(268,778)	--	(5,924,983)	--	(90,460)	(15,504,674)	
<u>\$ (195,449)</u>	<u>\$ 2,165,978</u>	<u>\$ (5,898,343)</u>	<u>\$ 3,088,497</u>	<u>\$ 3,389,933</u>	<u>\$ (5,698,298)</u>	
\$ 709,800	\$ 17,293	\$ (1,099,733)	\$ (1,411,928)	\$ (603,743)	\$ (978,103)	
3,749,867	236,610	(1,740,555)	2,805,648	19,336,581	59,879,746	
82,463	--	--	--	(7,513)	78,145	
<u>\$ 4,542,130</u>	<u>\$ 253,903</u>	<u>\$ (2,840,288)</u>	<u>\$ 1,393,720</u>	<u>\$ 18,725,325</u>	<u>\$ 58,979,788</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, 2011**

Net change in fund balances - total governmental funds \$ (978,103)

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	18,969,031	
Depreciation expense	<u>(6,180,786)</u>	
		12,788,245

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:

Other	<u>(614,621)</u>	
		(614,621)

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:

Discount on general obligation bonds	33,257	
Repaid	3,235,000	
Accrued interest	<u>11,247</u>	
		3,279,504

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	(129,120)	
Other postemployment benefits	(49,734)	
Change in inventory	<u>78,145</u>	
		(100,709)

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.

(190,461)

Change in net assets of governmental activities	<u>\$ 14,183,855</u>
---	----------------------

See notes to financial statements

**City of Cedar Falls, Iowa**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Business-type Activities - Enterprise Fund	
	Sewer Fund	Refuse Fund
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,880,356	\$ 2,137,750
Receivables, net of allowance for uncollectible amounts:		
Accrued interest	9,476	2,749
Other	680,717	344,756
Inventories	34,112	10,568
Total current assets	\$ 4,604,661	\$ 2,495,823
Noncurrent assets:		
Capital assets:		
Land	\$ 779,878	\$ 204,845
Buildings	11,595,276	1,119,518
Machinery and equipment	5,509,251	1,978,835
Infrastructure	28,889,978	--
Construction in progress	3,302,818	6,354,540
Accumulated depreciation	(14,815,998)	(1,351,649)
Total noncurrent assets	\$ 35,261,203	\$ 8,306,089
Total assets	\$ 39,865,864	\$ 10,801,912
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 172,129	\$ 111,841
Accrued liabilities	58,965	45,573
Bonds payable - due within one year	590,000	--
Compensated absences - due within one year	67,215	49,065
Total current liabilities	\$ 888,309	\$ 206,479
Noncurrent liabilities:		
Bonds payable- after one year	\$ 3,546,629	\$ --
Compensated absences - after one year	105,560	184,290
Total noncurrent liabilities	\$ 3,652,189	\$ 184,290
Total liabilities	\$ 4,540,498	\$ 390,769
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 32,055,868	\$ 8,306,089
Restricted for post closure costs	--	9,500
Unrestricted	3,269,498	2,095,554
Total net assets	\$ 35,325,366	\$ 10,411,143

See notes to financial statements

Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Funds
Storm Water Fund	Total	
\$ 1,363,208	\$ 7,381,314	\$ 13,998,152
1,943	14,168	20,296
34,387	1,059,860	70,735
--	44,680	152,626
<u>\$ 1,399,538</u>	<u>\$ 8,500,022</u>	<u>\$ 14,241,809</u>
\$ 627,858	\$ 1,612,581	\$ --
--	12,714,794	90,302
--	7,488,086	7,413,356
15,668,398	44,558,376	--
--	9,657,358	--
(4,147,894)	(20,315,541)	(4,452,479)
<u>\$ 12,148,362</u>	<u>\$ 55,715,654</u>	<u>\$ 3,051,179</u>
<u>\$ 13,547,900</u>	<u>\$ 64,215,676</u>	<u>\$ 17,292,988</u>
\$ 6,002	\$ 289,972	\$ 196,414
8,902	113,440	739,065
--	590,000	--
7,860	124,140	28,900
<u>\$ 22,765</u>	<u>\$ 1,117,552</u>	<u>\$ 964,379</u>
\$ --	\$ 3,546,629	\$ --
12,942	302,792	45,296
<u>\$ 12,942</u>	<u>\$ 3,849,421</u>	<u>\$ 45,296</u>
<u>\$ 35,706</u>	<u>\$ 4,966,973</u>	<u>\$ 1,009,675</u>
\$ 12,148,362	\$ 52,510,319	\$ 3,051,178
--	9,500	--
1,363,832	6,728,884	13,232,135
<u>\$ 13,512,194</u>	<u>\$ 59,248,703</u>	<u>\$ 16,283,313</u>

**City of Cedar Falls, Iowa**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds	
	Sewer Fund	Refuse Fund
Operating revenues:		
Charges for services	\$ 4,130,178	\$ 2,458,772
Other	8,168	859,236
Total operating revenues	<u>\$ 4,138,346</u>	<u>\$ 3,318,008</u>
Operating expenses:		
Personal services	\$ 1,149,201	\$ 1,086,572
Contractual services	737,917	1,142,521
Supplies and equipment	226,165	151,642
Depreciation	946,816	157,000
Total operating expenses	<u>\$ 3,060,099</u>	<u>\$ 2,537,735</u>
Operating income	<u>\$ 1,078,247</u>	<u>\$ 780,273</u>
Nonoperating revenues (expenses):		
Interest revenue	\$ 23,804	\$ 8,070
Interest expense	(162,671)	--
Gain (loss) on disposal of equipment	(706)	--
Nonoperating revenues (expenses),net	<u>\$ (139,573)</u>	<u>\$ 8,070</u>
Income before contributions and transfers	<u>\$ 938,674</u>	<u>\$ 788,343</u>
Capital contributions	\$ 237,000	\$ --
Transfers in	326,740	5,889,575
Transfers out	(230,050)	(127,100)
Contributions and transfers, net	<u>\$ 333,690</u>	<u>\$ 5,762,475</u>
Change in net assets	\$ 1,272,364	\$ 6,550,818
Net assets, beginning	34,053,002	3,860,325
Net assets, ending	<u><u>\$ 35,325,366</u></u>	<u><u>\$ 10,411,143</u></u>

See notes to financial statements

Business-type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
Storm Water Fund	Total	
\$ 805,809	\$ 7,394,759	\$ 6,175,774
555	867,959	501,426
<u>\$ 806,364</u>	<u>\$ 8,262,718</u>	<u>\$ 6,677,200</u>
\$ 220,443	\$ 2,456,216	\$ 899,987
86,821	1,967,259	4,576,067
36,627	414,434	902,125
349,184	1,453,000	427,776
<u>\$ 693,075</u>	<u>\$ 6,290,909</u>	<u>\$ 6,805,955</u>
<u>\$ 113,289</u>	<u>\$ 1,971,809</u>	<u>\$ (128,755)</u>
\$ 6,060	\$ 37,934	\$ 72,167
--	(162,671)	--
--	(706)	(60,544)
<u>\$ 6,060</u>	<u>\$ (125,443)</u>	<u>\$ 11,623</u>
<u>\$ 119,349</u>	<u>\$ 1,846,366</u>	<u>\$ (117,132)</u>
\$ 223,559	\$ 460,559	\$ --
--	6,216,315	--
(87,538)	(444,688)	(73,329)
<u>\$ 136,021</u>	<u>\$ 6,232,186</u>	<u>\$ (73,329)</u>
\$ 255,370	\$ 8,078,552	\$ (190,461)
13,256,824	51,170,151	16,473,774
<u>\$ 13,512,194</u>	<u>\$ 59,248,703</u>	<u>\$ 16,283,313</u>

**City of Cedar Falls, Iowa**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business-type Activities - <u>Enterprise Funds</u> Sewer <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 3,983,822
Receipts from interfund services	--
Payments to suppliers	(854,463)
Payments to employees	(1,177,901)
Net cash provided by operating activities	<u>\$ 1,951,458</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 326,740
Transfers to other funds	(230,050)
Net cash provided by (used for) noncapital financing activities	<u>\$ 96,690</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Net acquisition of property and equipment	\$ (2,578,406)
Capital contributions	237,000
Principal paid on debt maturities	(575,000)
Interest paid	(160,498)
Net cash (used for) capital and related financing activities	<u>\$ (3,076,904)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	<u>\$ 20,608</u>
Net increase (decrease) in cash	\$ (1,008,148)
<b>CASH BALANCES, Beginning</b>	4,888,504
<b>CASH BALANCES, Ending</b>	<u>\$ 3,880,356</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 1,078,247
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	946,816
Change in assets and liabilities:	
(Increase) decrease in:	
Customer and other receivables	(65,829)
Inventories	(1,469)
Increase (decrease) in accounts payable, accrued and other liabilities	(6,307)
Net cash provided by operating activities	<u>\$ 1,951,458</u>

See notes to financial statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Refuse Fund	Storm Water Fund	Total	
\$ 3,320,790	\$ 802,567	\$ 8,107,179	\$ --
--	--	--	6,160,797
(1,210,465)	(120,971)	(2,185,899)	(4,501,812)
(1,065,805)	(216,638)	(2,460,344)	(895,593)
<u>\$ 1,044,520</u>	<u>\$ 464,958</u>	<u>\$ 3,460,936</u>	<u>\$ 763,392</u>
\$ 5,889,575	\$ --	\$ 6,216,315	\$ --
(127,100)	(87,538)	(444,688)	(73,329)
<u>\$ 5,762,475</u>	<u>\$ (87,538)</u>	<u>\$ 5,771,627</u>	<u>\$ (73,329)</u>
\$ (5,714,893)	\$ (223,559)	\$ (8,516,858)	\$ (407,786)
--	223,559	460,559	--
--	--	(575,000)	--
--	--	(160,498)	--
<u>\$ (5,714,893)</u>	<u>\$ --</u>	<u>\$ (8,791,797)</u>	<u>\$ (407,786)</u>
\$ 7,001	\$ 5,670	\$ 33,279	\$ 73,874
\$ 1,099,103	\$ 383,090	\$ 474,045	\$ 356,151
1,038,647	980,118	6,907,269	13,642,001
<u>\$ 2,137,750</u>	<u>\$ 1,363,208</u>	<u>\$ 7,381,314</u>	<u>\$ 13,998,152</u>
\$ 780,273	\$ 113,289	\$ 1,971,809	\$ (128,755)
157,000	349,184	1,453,000	427,776
13,205	(3,798)	(56,422)	256,871
89,234	--	87,765	(27,400)
4,808	6,283	4,784	234,900
<u>\$ 1,044,520</u>	<u>\$ 464,958</u>	<u>\$ 3,460,936</u>	<u>\$ 763,392</u>

**CITY OF CEDAR FALLS, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**INDEX**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity
- B. Government-wide and Fund Financial Statements
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
- D. Assets, Liabilities, and Net Assets or Equity

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- A. Budgetary Information
- B. Deficit Fund Balances

**NOTE 3. DETAIL NOTES ON ALL FUNDS**

- A. Deposits and Investments
- B. Receivable
- C. Capital Assets
- D. Leases
- E. Long-term Debt
- F. Long-term Liabilities
- G. Interfund Balances
- H. Interfund Transactions

**NOTE 4. OTHER NOTES**

- A. Retirement Systems
- B. Due To/From Component Unit
- C. Related Party Transactions
- D. Risk Management
- E. Restatement of Beginning Balance – Governmental Funds
- F. Commitments and Contingencies
- G. Subsequent Event
- H. New Governmental Accounting Standards Board (GASB) Standards

**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 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 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 *TIF fund* accounts for property taxes received through tax increment financing.

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 *FEMA fund* accounts for the proceeds and expenditures related to disaster assistance and recovery.

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.

The *storm water fund* accounts for the operations and maintenance of the city's storm water system.

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, 2011, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2010 and March 31, 2011. Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Any County collections on the 2010-2011 tax levy remitted to the City within sixty days subsequent to June 30, 2011, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2011, 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 and Prepaid Items**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted Assets**

Certain assets of the component units are 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	20-40 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, 2011.

## **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***

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts not included in other spendable classifications reported.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

As of June 30, 2011, fund balances are composed of the following:

<u>Fund Balance</u>				
<u>Classification</u>	<u>Purpose</u>	<u>Fund</u>		<u>Amount</u>
Nonspendable	Inventory	General	\$	181,341
		Street Construction		180,616
		Non-major Governmental Funds		20,589
			\$	<u>382,546</u>
Restricted	TIF Debt	TIF	\$	36,400
	Street Repair	Street Repair		13,913,184
	Road Use Tax	Street Construction		4,361,514
	Debt Service	Debt Service		253,903
	Bond Proceeds	Bond		1,393,720
	Community Block Grant	Non-major Governmental Funds		44,011
	Housing Assistance	Non-major Governmental Funds		777,240
	Employee Retirement Systems	Non-major Governmental Funds		5,478,541
	Visitors & Tourism	Non-major Governmental Funds		447,000
	Cemetery Perpetual Care	Non-major Governmental Funds		331,696
			\$	<u>27,037,209</u>
Committed	Health Services	Hospital	\$	14,830,134
	Parking	Non-major Governmental Funds		867,584
			\$	<u>15,697,718</u>
Assigned	Cultural Services	General	\$	291,557
	Recreational Services	General		1,097,076
	Public Safety	General		56,374
	Capital Projects	Non-major Governmental Funds		10,758,664
			\$	<u>12,203,671</u>

**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 one budget amendment resolution during the year ended June 30, 2011.

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 Balances**

The FEMA fund, a major capital projects fund, has a deficit fund balance of \$2,840,288. The deficit fund balance is expected to be recovered through future federal and state reimbursements.

**Note 3. Detailed Notes On All Funds**

**A. Deposits and Investments**

The City's deposits in banks and credit unions at June 30, 2011 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, 2011, consist of the following:

Cash – unrestricted	\$ <u>79,905,662</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	\$ 79,905,662
Cash – Governmental Activities	\$ <u>72,524,348</u>
Cash – Business-type Activities	<u>7,381,314</u>
Total	<u>\$ 79,905,662</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 of 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, 2010, consist of the following:

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Communications Utility</u>
Cash – unrestricted	\$ 20,692,260	\$ 9,243,253	\$ 2,743,441	\$ 5,568,343
Cash – restricted	<u>11,208,564</u>	<u>243,462</u>	<u>110,986</u>	<u>8,775,696</u>
	<u>\$ 31,900,824</u>	<u>\$ 9,486,715</u>	<u>\$ 2,854,427</u>	<u>\$ 14,344,039</u>

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

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Communications Utility</u>
Carrying amount of deposits	\$ 31,900,824	\$ 9,486,715	\$ 2,854,427	\$ 14,344,039
Carrying amount of certificates	13,416,480	--	--	1,678,178
Total	<u>\$ 45,317,304</u>	<u>\$ 9,486,715</u>	<u>\$ 2,854,427</u>	<u>\$ 16,022,217</u>
Cash	\$ 20,692,260	\$ 9,243,253	\$ 2,743,441	\$ 5,568,343
Cash - Restricted	11,208,564	243,462	110,986	8,775,696
Investments:				
Certificates of deposit	7,033,567	--	--	-
Certificates of deposit - restricted	6,382,913	--	--	1,678,178
Total	<u>\$ 45,317,304</u>	<u>\$ 9,486,715</u>	<u>\$ 2,854,427</u>	<u>\$ 16,022,217</u>

**B. Receivable**

On June 30, 2011, the City has recorded a \$3,690,295 receivable for library, recreation, and cultural contributions held by the Cedar Falls Civic Foundation. The funds will be used to support library services, recreation services, and the cultural center, therefore is reported as an asset to the General Fund.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 20,363,319	\$ 4,722,678	\$ --	\$ 25,085,997
Construction in progress	10,144,071	10,508,844	10,082,748	10,570,167
Total capital assets, not being depreciated	<u>\$ 30,507,390</u>	<u>\$ 15,231,522</u>	<u>\$ 10,082,748</u>	<u>\$ 35,656,164</u>
Capital assets, being depreciated:				
Buildings	\$ 26,971,847	\$ 647,766	\$ 200,000	\$ 27,419,613
Land improvements	12,397,788	476,475	--	12,874,263
Machinery and equipment	15,285,384	1,033,856	422,360	15,896,880
Infrastructure	139,355,533	12,307,183	--	151,662,716
Total capital assets, being depreciated	<u>\$ 194,010,552</u>	<u>\$ 14,465,280</u>	<u>\$ 622,360</u>	<u>\$ 207,853,472</u>
Less accumulated depreciation for:				
Buildings	\$ 7,398,984	\$ 659,124	\$ 5,667	\$ 8,052,441
Land improvements	3,461,994	492,535	--	3,954,529
Machinery and equipment	8,555,330	856,216	318,907	9,092,639
Infrastructure	58,560,503	4,600,685	--	63,161,188
Total accumulated depreciation	<u>\$ 77,976,811</u>	<u>\$ 6,608,560</u>	<u>\$ 324,574</u>	<u>\$ 84,260,797</u>
Total capital assets, being depreciated, net	<u>\$ 116,033,741</u>	<u>\$ 7,856,720</u>	<u>\$ 297,786</u>	<u>\$ 123,592,675</u>
Governmental activities capital asset, net	<u>\$ 146,541,131</u>	<u>\$ 23,088,242</u>	<u>\$ 10,380,534</u>	<u>\$ 159,248,839</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,612,581	\$ --	\$ --	\$ 1,612,581
Construction in progress	3,648,606	7,610,005	1,601,253	9,657,358
Total capital assets, not being depreciated	<u>\$ 5,261,187</u>	<u>\$ 7,610,005</u>	<u>\$ 1,601,253</u>	<u>\$ 11,269,939</u>
Capital assets, being depreciated:				
Buildings	\$ 12,714,794	\$ --	\$ --	\$ 12,714,794
Machinery and equipment	7,407,342	83,879	3,135	7,488,086
Infrastructure	42,134,210	2,424,166	--	44,558,376
Total capital assets, being depreciated	<u>\$ 62,256,346</u>	<u>\$ 2,508,045</u>	<u>\$ 3,135</u>	<u>\$ 64,761,256</u>
Less accumulated depreciation for:				
Buildings	\$ 4,886,282	\$ 273,623	\$ 58	\$ 5,159,847
Machinery and equipment	1,744,740	282,088	2,430	2,024,398
Infrastructure	12,234,007	897,289	--	13,131,296
Total accumulated depreciation	<u>\$ 18,865,029</u>	<u>\$ 1,453,000</u>	<u>\$ 2,488</u>	<u>\$ 20,315,541</u>
Total capital assets, being depreciated, net	<u>\$ 43,391,317</u>	<u>\$ 1,055,045</u>	<u>\$ 647</u>	<u>\$ 44,445,715</u>
Business-type activities capital assets, net	<u>\$ 48,652,504</u>	<u>\$ 8,665,050</u>	<u>\$ 1,601,900</u>	<u>\$ 55,715,654</u>

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

Governmental activities:

Public safety	\$ 95,515
Public works	4,720,095
Health and social services	148,578
Culture and recreation	1,035,601
Community and economic development	77,357
General government	103,638
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	427,776
Total depreciation expense - governmental activities	<u>\$ 6,608,560</u>

Business-type activities

Sewer	\$ 946,816
Refuse	157,000
Storm Water	349,184
Total depreciation expense - business-type activities	<u>\$ 1,453,000</u>

### Construction Commitments

The City has active construction projects as of June 30, 2011. At year-end the City's commitments with contractors are as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Bluff St. Liftstation	\$ 8,193,647	\$ 838,026	\$ 7,355,621
Disinfection	20,877,000	2,372,841	18,504,159
Dry Run Creek Culverts	603,769	603,769	--
Greenhill Road Extension	388,800	364,655	24,145
Greenwood Cemetary	139,807	82,377	57,430
Hwy 58 Ped. Bridge	233,000	124,089	108,911
Library Space	32,750	29,467	3,283
Northern Industrial Park	6,438,558	5,800,655	637,903
Park Dr. Lift Station	18,500	10,121	8,379
Public Works Complex	9,810,750	5,510,979	4,299,771
Rec Center Boiler	81,800	81,800	--
Ridgeway Ave. Reconstruction	3,268,793	848,282	2,420,511
Safe Routes to School	90,424	83,979	6,445
Seal Coat	1,312,077	--	1,312,077
Sewer Rehab	312,469	277,837	34,632
State Street	1,558,965	1,558,965	--
Street reconstruction	6,889,646	5,597,950	1,291,696
Street restoration	3,062,995	1,773,626	1,289,369
West 1 <sup>st</sup> Street/Hudson	305,000	197,250	107,750
West 23 <sup>rd</sup> Street	548,816	545,008	3,808
West 23 <sup>rd</sup> Street Streetscape	147,604	147,604	--
West Viking Road	3,953,190	3,914,346	38,844
	<u>\$ 68,268,360</u>	<u>\$ 30,763,625</u>	<u>\$ 37,504,735</u>

Discretely Presented Component Units

Activity for the Electric Utility for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,071,983	\$ --	--	\$ 1,071,983
Construction in progress	4,129,572	6,895,354	8,880,739	2,144,187
Total capital assets, not being depreciated	<u>\$ 5,201,555</u>	<u>\$ 6,895,354</u>	<u>\$ 8,880,739</u>	<u>\$ 3,216,170</u>
Capital assets, being depreciated:				
Buildings	\$ 21,918,562	\$ 1,084,793	\$ 135,249	\$ 22,868,106
Land improvements	4,683	--	--	4,683
Machinery and equipment	19,502,339	880,448	253,020	20,129,767
Infrastructure	131,811,603	6,915,498	986,057	137,741,044
Total capital assets, being depreciated	<u>\$ 173,237,187</u>	<u>\$ 8,880,739</u>	<u>\$ 1,374,326</u>	<u>\$ 180,743,600</u>
Less accumulated depreciation for:				
Buildings	\$ 9,174,758	\$ 195,478	\$ 138,105	\$ 9,232,131
Land improvements	4,508	21	--	4,529
Machinery and equipment	8,374,028	1,770,573	253,020	9,891,581
Infrastructure	52,529,020	2,460,011	1,143,457	53,845,574
	<u>\$ 70,082,314</u>	<u>\$ 4,426,083</u>	<u>\$ 1,534,582</u>	<u>\$ 72,973,815</u>
Total capital assets, being depreciated, net	<u>\$ 103,154,873</u>	<u>\$ 4,454,656</u>	<u>\$ (160,256)</u>	<u>\$ 107,769,785</u>
Electric Utility capital assets, net	<u>\$ 108,356,428</u>	<u>\$ 11,350,010</u>	<u>\$ 8,720,483</u>	<u>\$ 110,985,955</u>

Activity for the Gas Utility for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 41,350	\$ --	\$ --	\$ 41,350
Construction in progress	231,332	467,425	535,894	162,863
Total capital assets, not being depreciated	<u>\$ 272,682</u>	<u>\$ 467,425</u>	<u>\$ 535,894</u>	<u>\$ 204,213</u>
Capital assets, being depreciated:				
Buildings	\$ 1,942,909	\$ 103,599	\$ 78,163	\$ 1,968,345
Machinery and equipment	677,854	14,372	--	692,226
Infrastructure	17,146,851	417,924	81,562	17,483,213
Total capital assets, being depreciated	<u>\$ 19,767,614</u>	<u>\$ 535,895</u>	<u>\$ 159,725</u>	<u>\$ 20,143,784</u>
Less accumulated depreciation				
Buildings	\$ 301,012	\$ 47,075	\$ 78,163	\$ 269,924
Machinery and equipment	250,678	37,729	--	288,407
Infrastructure	7,632,636	644,762	114,746	8,162,652
	<u>\$ 8,184,326</u>	<u>\$ 729,566</u>	<u>\$ 192,909</u>	<u>\$ 8,720,983</u>
Total capital assets, being depreciated, net	<u>\$ 11,583,288</u>	<u>\$ (193,671)</u>	<u>\$ (33,184)</u>	<u>\$ 11,422,801</u>
Gas Utility capital assets, net	<u><u>\$ 11,855,970</u></u>	<u><u>\$ 273,754</u></u>	<u><u>\$ 502,710</u></u>	<u><u>\$ 11,627,014</u></u>

Activity for the Water Utility for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 63,466	\$ --	\$ --	\$ 63,466
Construction in progress	571,254	1,232,735	916,168	887,821
Total capital assets, not being depreciated	<u>\$ 634,720</u>	<u>\$ 1,232,735</u>	<u>\$ 916,168</u>	<u>\$ 951,287</u>
Capital assets, being depreciated:				
Buildings	\$ 799,063	\$ 41,994	\$ 33,355	\$ 807,702
Machinery and equipment	418,547	11,791	--	430,338
Infrastructure	24,179,598	862,383	33,157	25,008,824
Total capital assets, being depreciated	<u>\$ 25,397,208</u>	<u>\$ 916,168</u>	<u>\$ 66,512</u>	<u>\$ 26,246,864</u>
Less accumulated depreciation				
Buildings	\$ 125,233	\$ 18,305	\$ 33,355	\$ 110,183
Machinery and equipment	194,464	20,690	--	215,154
Infrastructure	7,250,937	516,151	38,985	7,728,103
Total accumulated depreciation	<u>\$ 7,570,634</u>	<u>\$ 555,146</u>	<u>\$ 72,340</u>	<u>\$ 8,053,440</u>
Total capital assets, being depreciated, net	<u>\$ 17,826,574</u>	<u>\$ 361,022</u>	<u>\$ (5,828)</u>	<u>\$ 18,193,424</u>
Water Utility capital assets, net	<u>\$ 18,461,294</u>	<u>\$ 1,593,757</u>	<u>\$ 910,340</u>	<u>\$ 19,144,711</u>

Activity for the Communications Utility for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 473,067	\$ 6,982,175	\$ 4,276,635	\$ 3,178,607
Total capital assets, not being depreciated	<u>\$ 473,067</u>	<u>\$ 6,982,175</u>	<u>\$ 4,276,635</u>	<u>\$ 3,178,607</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 329,518	\$ 56,259	\$ --	\$ 385,777
Infrastructure	18,490,268	4,220,376	819,595	21,891,049
Total capital assets, being depreciated	<u>\$ 18,819,786</u>	<u>\$ 4,276,635</u>	<u>\$ 819,595</u>	<u>\$ 22,276,826</u>
Less accumulated depreciation				
Machinery and equipment	\$ 220,367	\$ 18,223	\$ --	\$ 238,590
Infrastructure	9,401,980	1,410,399	824,346	9,988,033
Total accumulated depreciation	<u>\$ 9,622,347</u>	<u>\$ 1,428,622</u>	<u>\$ 824,346</u>	<u>\$ 10,226,623</u>
Total capital assets, being depreciated, net	<u>\$ 9,197,439</u>	<u>\$ 2,848,013</u>	<u>\$ (4,751)</u>	<u>\$ 12,050,203</u>
Communications Utility capital assets, net	<u><u>\$ 9,670,506</u></u>	<u><u>\$ 9,830,188</u></u>	<u><u>\$ 4,271,884</u></u>	<u><u>\$ 15,228,810</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, 2011, is recorded as a receivable and deferred revenue in the Hospital Fund in the amount of \$484,518.

##### **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
2012	\$ 31,796	\$ 143,100
2013	31,796	143,100
2014	31,796	131,175
2015	31,796	--
2016	31,796	--
2017-2021	158,977	--
Total	<u>\$ 317,957</u>	<u>\$ 417,375</u>

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

	Governmental Activities	
	Hospital	Building
Land	\$ 151,494	\$ --
Building	5,873,537	2,153,925
Less:		
Accumulated depreciation	(1,917,088)	(785,285)
Total	<u>\$ 4,107,943</u>	<u>\$ 1,368,640</u>

## E. Long-term Debt

### General Obligation Bonds

Unmatured general obligation bonds totaling \$8,429,807, net of unamortized discount and unamortized deferred amount on refunding of \$70,193, are outstanding as of June 30, 2011. These bonds bear interest with rates ranging from 2.30% to 3.90%; mature in varying annual amounts through June 30, 2018; and were originally issued for \$14,310,000. 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
2012	\$ 1,055,000	\$ 163,135	\$ 590,000	\$ 143,262
2013	860,000	124,100	610,000	124,673
2014	925,000	92,280	635,000	104,623
2015	350,000	57,593	660,000	82,985
2016	365,000	44,292	680,000	59,930
2017-2018	785,000	46,023	985,000	54,218
Total	<u>\$ 4,340,000</u>	<u>\$ 527,423</u>	<u>\$ 4,160,000</u>	<u>\$ 569,691</u>

### Tax Increment Financing Bonds

Unmatured tax increment financing bonds totaling \$2,095,682 net of unamortized deferred amount on refunding of \$80,682, are outstanding as of June 30, 2011. These bonds bear an interest rate of 3.00%; mature June 30, 2014; and were originally issued for \$2,865,000. Annual debt service requirements to maturity for tax increment financing bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 890,000	\$ 60,450
2013	550,000	33,750
2014	575,000	17,250
Total	<u>\$ 2,015,000</u>	<u>\$ 111,450</u>

### Capital Loan Notes

Unmatured capital loan notes totaling \$8,378,614, net of unamortized discount and unamortized deferred amount on refunding of \$18,614 are outstanding as of June 30, 2011. These notes bear interest at rates of 1.00% to 3.80%; mature in varying annual amounts through June 30, 2024; and were originally issued for \$10,530,000. Annual debt service requirements to maturing for capital loan notes are as follows:

Year Ending June 30,	Govenmental Activities	
	Principal	Interest
2012	\$ 1,470,000	\$ 255,460
2013	1,235,000	214,940
2014	1,265,000	180,300
2015	680,000	142,892
2016	705,000	123,052
2017-2021	2,470,000	291,706
2022-2024	535,000	40,625
Total	<u>\$ 8,360,000</u>	<u>\$ 1,248,975</u>

As of June 30, 2011, 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>\$ 2,441,887,629</u>
Debt limit - 5% of total actual valuation	\$ 122,094,381
Debt applicable to debt limit:	
General obligation bonds	18,875,000
General obligation bonds - component unit	<u>1,895,000</u>
Legal debt margin	<u>\$ 101,324,381</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, 2011, the City had no arbitrage liability.

## Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2011, 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
<b>Governmental Activities:</b>						
General obligation bonds:						
Corporate purpose	2006	\$ 5,360,000	\$ --	\$ 1,020,000	\$ 4,340,000	\$ 1,055,000
Less unamortized discount		9,366	--	1,202	8,164	--
Less unamortized deferred amount on refunding		49,786	--	11,128	38,658	--
		<u>\$ 5,300,848</u>	<u>\$ --</u>	<u>\$ 1,007,670</u>	<u>\$ 4,293,178</u>	<u>\$ 1,055,000</u>
Tax increment financing bonds:						
Tax increment financing	2010	\$ 2,865,000	\$ --	\$ 850,000	\$ 2,015,000	\$ 890,000
Less unamortized deferred amount on refunding		(109,583)	--	(28,901)	(80,682)	--
		<u>\$ 2,974,583</u>	<u>\$ --</u>	<u>\$ 878,901</u>	<u>\$ 2,095,682</u>	<u>\$ 890,000</u>
Capital Loan Notes:						
Corporate Purpose	2008	\$ 4,015,000	\$ --	\$ 450,000	\$ 3,565,000	\$ 520,000
Corporate Purpose	2009	3,440,000	--	165,000	3,275,000	170,000
Refunding	2010	2,270,000	--	750,000	1,520,000	780,000
		<u>\$ 9,725,000</u>	<u>\$ --</u>	<u>\$ 1,365,000</u>	<u>\$ 8,360,000</u>	<u>\$ 1,470,000</u>
Less unamortized discount		43,294	--	4,042	39,252	--
Less unamortized deferred amount on refunding		(78,594)	--	(20,728)	(57,866)	--
		<u>\$ 9,760,300</u>	<u>\$ --</u>	<u>\$ 1,381,686</u>	<u>\$ 8,378,614</u>	<u>\$ 1,470,000</u>
Governmental activity total long-term debt		<u>\$ 18,035,731</u>	<u>\$ --</u>	<u>\$ 3,268,257</u>	<u>\$ 14,767,474</u>	<u>\$ 3,415,000</u>
<b>Business-type activities</b>						
General obligation bonds:						
Sewer	2006	\$ 1,180,000	\$ --	\$ 180,000	\$ 1,000,000	\$ 185,000
Sewer	2008	3,555,000	--	395,000	3,160,000	405,000
		<u>\$ 4,735,000</u>	<u>\$ --</u>	<u>\$ 575,000</u>	<u>\$ 4,160,000</u>	<u>\$ 590,000</u>
Less unamortized discount		26,981	--	3,610	23,371	--
		<u>\$ 4,708,019</u>	<u>\$ --</u>	<u>\$ 571,390</u>	<u>\$ 4,136,629</u>	<u>\$ 590,000</u>
Business-type activity total long-term debt		<u>\$ 4,708,019</u>	<u>\$ --</u>	<u>\$ 571,390</u>	<u>\$ 4,136,629</u>	<u>\$ 590,000</u>

### Revenue Bonds and Installment Agreements – Electric Utility

The Series 2003, 2005, and 2007 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 2.50% and 4.75%. 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
2011	\$ 1,650,000	\$ 1,631,632
2012	1,720,000	1,569,544
2013	2,690,000	1,503,944
2014	2,805,000	1,402,544
2015	2,320,000	1,290,343
2016-2020	13,190,000	4,973,225
2021-2025	14,115,000	2,001,156
2026	1,440,000	63,000
	<u>\$ 39,930,000</u>	<u>\$ 14,435,388</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.

### Capital Loan Notes – Electric Utility

The 2010A and 2010B revenue capital loan notes require annual principal payments, due December 1, and semiannual interest payments, due June 1 and December 1. Interest rates are in a range between 2.50% and 4.75%. The capital loan notes are secured by the future net revenues of the Utility.

Component Unit - Capital Loan Notes					
Year	Principal		Interest		
2011	\$	460,000	\$	556,955	
2012		445,000		576,168	
2013		455,000		563,067	
2014		460,000		549,668	
2015		1,070,000		536,117	
2016-2020		5,790,000		2,224,625	
2021-2025		5,045,000		1,230,870	
2026-2030		3,145,000		450,875	
	\$	16,870,000	\$	6,688,345	

### Debt Summary – Electric Utility

Long-term debt activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
Series 2003	\$ 8,510,000	\$ --	\$ 6,800,000	\$ 1,710,000	\$ 280,000
Series 2005	22,565,000	--	655,000	21,910,000	670,000
Series 2007	16,980,000	--	670,000	16,310,000	700,000
Capital Loan Notes:					
Series 2010A	--	10,000,000	--	10,000,000	410,000
Series 2010B	--	6,870,000	--	6,870,000	50,000
Total bonds	48,055,000	16,870,000	8,125,000	56,800,000	2,110,000
Less: Unamortized discount	841,700	151,339	115,047	877,992	--
Add: Unamortized premium	282,488	115,126	9,397	388,217	--
Total long-term debt	\$ 47,495,788	\$ 16,833,787	\$ 8,019,350	\$ 56,310,225	\$ 2,110,000

**General Obligation Capital Loan Notes – Communications Utility**

All general obligation (G.O.) bonds and notes have been issued by the City on behalf of the Utility. The G.O. 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 notes are in a range between 2.50% and 5.50%. The total debt service obligations over the remaining term of the notes are as follows:

<u>Year Ending</u>	<u>Component Unit - G.O. Capital Loan Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 145,000	\$ 51,415
2012	155,000	49,893
2013	155,000	47,878
2014	165,000	45,242
2015	105,000	41,860
2016-2020	600,000	163,375
2021-2024	570,000	53,700
	<u>\$ 1,895,000</u>	<u>\$ 453,363</u>

**Revenue Capital Loan Notes – Communications Utility**

The Series 2009 and 2010 revenue 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 notes are in a range between 3.0% and 4.3%. The notes 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 - Revenue Capital Loan Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,245,000	\$ 513,660
2012	1,400,000	476,310
2013	1,440,000	434,310
2014	1,475,000	391,110
2015	1,525,000	346,860
2016-2020	8,480,000	998,700
2021-2024	880,000	95,993
	<u>\$ 16,445,000</u>	<u>\$ 3,256,943</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, 2010 outstanding balance on this loan was \$1,108,090, 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, 2010 outstanding balance on this loan was \$125,000, bearing interest at 3.1%.

## Debt Summary – Communications Utility

Long-term debt activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital loan notes					
Series 2009	\$ 2,320,000	\$ --	\$ 425,000	\$ 1,895,000	\$ 145,000
Revenue capital loan notes					
Series 2009	3,640,000	--	325,000	3,315,000	325,000
Revenue capital loan notes					
Series 2010	0	13,130,000	--	13,130,000	920,000
	<u>\$ 5,960,000</u>	<u>\$ 13,130,000</u>	<u>\$ 750,000</u>	<u>\$ 18,340,000</u>	<u>\$ 1,390,000</u>
Less: unamortized discount on debt	70,589	94,971	8,109	157,451	--
Add: unamortized premium on debt	46,268	490,762	4,131	532,899	--
	<u>\$ 5,935,679</u>	<u>\$ 13,525,791</u>	<u>\$ 746,022</u>	<u>\$ 18,715,448</u>	<u>\$ 1,390,000</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, 2011, 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>\$ 2,480,208</u>	<u>\$ 259,591</u>	<u>\$ 125,361</u>	<u>\$ 2,614,438</u>	<u>\$ 745,002</u>
Business-type activities	<u>\$ 413,580</u>	<u>\$ 61,782</u>	<u>\$ 48,430</u>	<u>\$ 426,932</u>	<u>\$ 124,140</u>

The majority of compensated absences expenditures are paid for out of the General Fund.

## Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The City operates a single-employer health benefit plan, which provides self-insured medical/prescription drug benefits for all full-time active and retired employees and their eligible dependents. Eligible retirees receive health care coverage through the same plan that is available to active employees. To be eligible for these benefits, participants must be receiving a pension benefit from the Iowa Public Employee Retirement System (IPERS), receiving a Social Security Disability Benefit, or retired under Code Chapter 411 of the Iowa Code. There were sixteen retirees participating in the plan as of June 30<sup>th</sup>. Retirees pay the same premium for the health benefit plan as active employees, which results in an implicit subsidy and an OPEB liability. The Plan does not issue a stand-alone financial report.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 50,355
Interest on net OPEB obligation	7,820
Adjustment to annual required contribution	<u>(6,026)</u>
Annual OPEB Cost	52,149
Net contributions - retirees	<u>(2,415)</u>
Increase in net OPEB obligation	49,734
Net OPEB obligation beginning of year	<u>249,169</u>
Net OPEB obligation end of year	\$298,903

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City paid \$141,913 for retiree health claims. Plan members eligible for benefits contributed \$139,498 or 100% of the premium costs. The net resulted in a \$2,415 contribution for retirees.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed from City	Net OPEB Obligation
June 30, 2011	\$ 52,149	4.6%	\$298,903
June 30, 2010	\$ 52,149	(77.9%)	\$249,169
June 30, 2009	\$101,000	(54.8%)	\$156,392

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$671,926, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$671,926. The covered payroll (annual payroll of active employees covered by the plan) was \$10,976,785 and the ratio of the UAAL to covered payroll was 6.1%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employments, mortality and the health care cost trend. Actuarially determined amounts are subject to continual review as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumption includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from a combination of the retirement probabilities from MFPRSI Actuarial Report, the IPERS Actuarial Report, and the City's experience.

Projected claim costs of the health plan are \$593.92 per month for retirees less than age 65 and \$424.42 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**G. Interfund Balances**

Individual interfund receivable and payable balances by fund type as of June 30, 2011, were stated in the fund financial statements as follows:

Fund	Total	
	Interfund Receivables	Interfund Payables
FEMA Fund	\$ --	\$ 3,083,809
Nonmajor Governmental Funds	3,083,809	--
<b>Total</b>	<b>\$ 3,083,809</b>	<b>\$ 3,083,809</b>

The balances are due to the elimination of reporting negative cash

**H. Interfund Transactions**

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

Transfer To	Transfer From	Amount
General Fund	Street Construction Fund	\$ 129,830
	Non-major Governmental Funds	80,460
	Sewer Fund	100,740
	Refuse Fund	127,100
		<u>\$ 438,130</u>
Street Repair Fund	TIF Fund	<u>\$ 533,409</u>
Street Construction Fund	Internal Service Funds	<u>\$ 73,329</u>
Debt Service Fund	General Fund	\$ 1,220,000
	TIF Fund	945,978
		<u>\$ 2,165,978</u>
FEMA Fund	General Fund	<u>\$ 26,640</u>
Bond Fund	TIF Fund	\$ 2,959,321
	General Fund	32,000
	Street Construction Fund	9,638
	Storm Water Fund	87,538
		<u>\$ 3,088,497</u>
Non-major Governmental Funds	General Fund	\$ 185,062
	TIF Fund	3,285,331
	Non-major Governmental Funds	10,000
	<u>\$ 3,480,393</u>	
Sewer Fund	FEMA Fund	\$ 294,028
	Street Repair Fund	32,712
		<u>\$ 326,740</u>
Refuse Fund	FEMA Fund	\$ 5,630,955
	Street Construction Fund	129,310
	Sewer Fund	129,310
		<u>\$ 5,889,575</u>
	<b>Total</b>	<u><u>\$ 16,022,691</u></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.

**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 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$619,003, \$581,707 and \$548,622 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, 7155 Lake Dr., West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 19.90% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$798,970, \$666,649, and \$669,619 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, 2011, were as follows:

	Due from
Component Unit:	
Electric utility	\$ 800,000
	800,000

This amount differs from the amount reported as due to primary government since the Electric Utility component unit has a calendar year end of December 31, 2010.

**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, 2006, 2007, 2008, 2009, 2010 and 2011 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 \$2,722,743 for 2011. 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, 2011, 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, 2009	\$ 255,456	\$ 97,658	\$ --	\$ --	\$ 353,114
Claims and changes in estimates during fiscal year 2010	2,437,723	297,026	--	--	2,734,749
Claim payments	(2,356,993)	(211,202)	--	--	(2,568,195)
Claim liabilities					
June 30, 2010	\$ 336,186	\$ 183,482	\$ --	\$ --	\$ 519,668
Claims and changes in estimates during fiscal year 2011	2,767,321	323,132	--	--	3,090,453
Claim payments	(2,698,509)	(204,733)	--	--	(2,903,242)
Claim liabilities					
June 30, 2011	\$ 404,998	\$ 301,881	\$ --	\$ --	\$ 706,879

**E. Restatement of Beginning Balance – Governmental Funds**

The beginning fund balance of the General Fund was increased by \$2,958,593. The other governmental funds balance decreased by \$2,958,593. This was due to the reclassification of the Recreation & Public Safety Fund (\$1,481,755), Cable Television (\$1,339,530), Cultural Services (\$138,681) and Community Center & Sr. Services (\$1,373 deficit) funds due to the implementation of GASB 54.

**F. Commitments and Contingencies**

Legal counsel has reported that as of June 30, 2011, 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.

**G. Subsequent Event**

In July 2011, the City entered into a loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$21 million in sewer revenue capital loan notes under the State Revolving Fund Program. These notes will finance the major renovation project at the City's water treatment facility related to disinfection compliance.

## H. New Governmental Accounting Standards Board (GASB) Standards

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

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009, will be effective for the fiscal year ending June 30, 2012. This Statement permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision- an amendment to GASB Statement No. 53*, issued June 2011, will be effective for the fiscal year ending June 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

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

**City of Cedar Falls, Iowa**  
**Budgetary Comparison Schedule - Function Budget**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts	
	Original	Final
<b>Revenues:</b>		
Property taxes and assessments	\$ 23,312,711	\$ 23,312,711
Other City taxes	5,050,860	5,050,860
Licenses and permits	851,200	892,900
Use of money and property	1,742,120	1,742,120
Intergovernmental	36,913,345	41,112,845
Charges for services	10,030,800	10,351,300
Miscellaneous	6,194,114	6,239,114
Total revenues	<u>\$ 84,095,150</u>	<u>\$ 88,701,850</u>
<b>Expenditures:</b>		
Current:		
Public safety	\$ 8,358,320	\$ 8,593,120
Public works	15,427,900	15,471,600
Health and social services	187,250	187,250
Culture and recreation	6,583,570	6,933,270
Community and economic development	2,672,370	2,719,970
General government	4,523,380	4,533,580
Debt service	4,361,450	4,361,450
Capital projects	32,672,630	39,974,630
Business-type	14,450,900	14,505,000
Total expenditures	<u>\$ 89,237,770</u>	<u>\$ 97,279,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,142,620)</u>	<u>\$ (8,578,020)</u>
<b>Other financing sources (uses):</b>		
Proceeds from long-term debt	\$ 7,606,500	\$ 10,863,500
Transfers in	13,526,660	13,526,660
Transfers out	(13,526,660)	(13,526,660)
Total other financing sources (uses)	<u>\$ 7,606,500</u>	<u>\$ 10,863,500</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ 2,463,880</u>	<u>\$ 2,285,480</u>
Fund balances, beginning	61,892,410	61,892,410
Fund balances, ending	<u><u>\$ 64,356,290</u></u>	<u><u>\$ 64,177,890</u></u>

See notes to the required supplementary information.

Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 23,501,566	\$ 188,855
5,112,659	61,799
1,092,677	199,777
1,475,394	(266,726)
23,558,442	(17,554,403)
10,399,390	48,090
2,634,847	(3,604,267)
<u>\$ 67,774,975</u>	<u>\$ (20,926,875)</u>
\$ 8,121,960	\$ 471,160
8,939,057	6,532,543
178,085	9,165
6,537,645	395,625
2,598,126	121,844
4,303,894	229,686
4,309,056	52,394
25,596,074	14,378,556
7,509,272	6,995,728
<u>\$ 68,093,169</u>	<u>\$ 29,186,701</u>
<u>\$ (318,194)</u>	<u>\$ 8,259,826</u>
\$ --	\$ (10,863,500)
13,013,137	(513,523)
(13,013,137)	513,523
<u>\$ --</u>	<u>\$ (10,863,500)</u>
\$ (318,194)	\$ (2,603,674)
64,220,982	2,328,572
<u>\$ 63,902,788</u>	<u>\$ (275,102)</u>

**City of Cedar Falls, Iowa**

**Notes to Required Supplementary Information – Budgetary Reporting  
For the Year ended June 30, 2011**

**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 appropriations lapse at year end.

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, one budget amendment increased budgeted disbursements by \$8,042,100. These budget amendments are reflected in the final budget amounts.

**City of Cedar Falls, Iowa**  
**Budgetary Comparison Schedule -**  
**Program Budget**  
**Notes to RSI**

**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**

	<b>Function Budget</b>
<b>Sources</b>	
Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule - function budget	\$ 67,774,975
Adjustments:	
The City budgets for all receipts on the cash basis, rather than the modified accrual or accrual basis	(122,572)
	(122,572)
Total revenues for the function budget on a GAAP basis of accounting	\$ 67,652,403
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	(1,682,363)
FEMA Fund	(11,358,962)
Bond capital projects Fund	(4,588,178)
Nonmajor governmental GAAP funds	(3,545,244)
Business-type enterprise funds	(8,262,718)
	(28,437,465)
Total revenues for general fund and major special revenue funds	\$ 38,214,938
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds:	
General Fund	\$ 20,911,430
Hospital Fund	689,846
TIF Fund	7,663,311
Street Repair Fund	5,470,635
Street Construction Fund	3,479,716
	38,214,938
Total revenues for general fund and major special revenue funds	\$ 38,214,938

	<u>Function Budget</u>
<b>Uses</b>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule - function budget	\$ 68,093,169
<b>Adjustments</b>	
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	(7,132,770)
Total uses for the function budget on a GAAP basis of accounting	<u>\$ 60,960,399</u>
<b>Reclassifications:</b>	
The City reports uses of funds in the function budget as expenditures in other major and nonmajor funds for GAAP reporting:	
Debt Service Fund	(3,831,048)
FEMA Fund	(6,560,352)
Bond capital projects Fund	(9,088,603)
Nonmajor governmental GAAP funds	(7,538,920)
Business-type enterprise funds	(6,290,909)
Total expenditures for general fund and major special revenue funds	<u>\$ 27,650,567</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds:	
General Fund	\$ 20,051,460
Hospital Fund	163,334
TIF Fund	--
Street Repair Fund	4,861,306
Street Construction Fund	2,574,467
Total expenditures for general fund and major special revenue funds	<u>\$ 27,650,567</u>

**City of Cedar Falls, Iowa**  
**Schedule of Funding Progress for the**  
**Cedar Falls Health Plan**  
**June 30, 2011**

<b>Fiscal Year</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As a Percentage of Covered Payroll</b>
2009	July 1, 2007	-	1,041,000	1,041,000	0.0%	10,506,285	9.9%
2010	July 1, 2009	-	671,926	671,926	0.0%	10,707,080	6.3%
2011	July 1, 2009	-	671,926	671,926	0.0%	10,976,785	6.1%

**City of Cedar Falls, Iowa**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**  
**(Page 1 of 2)**

	Community Development Fund	Housing Assistance Fund
<b>ASSETS</b>		
Cash	\$ 42,174	\$ 781,732
Receivables, net of allowance for uncollectible amounts:		
Property taxes	--	--
Other city taxes	--	--
Accrued interest	--	--
Special assessment	--	--
Other	--	--
Due from other funds	--	--
Due from other governments	31,600	--
Inventories	--	--
Total assets	\$ 73,774	\$ 781,732
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 19,322	\$ --
Accrued liabilities	5,466	4,492
Deferred revenue	4,975	--
Total liabilities	\$ 29,763	\$ 4,492
<b>FUND BALANCES</b>		
Nonspendable	--	--
Restricted	44,011	777,240
Committed	--	--
Assigned	--	--
Total fund balances	\$ 44,011	\$ 777,240
Total liabilities and fund balances	\$ 73,774	\$ 781,732

Special Revenue

Parking Fund	Police Retirement	Fire Retirement	Visitor & Tourism
\$ 886,637	\$ 2,988,745	\$ 2,477,656	\$ 466,967
--	503,822	426,209	--
--	--	--	77,311
1,299	10,038	6,645	586
--	--	--	--
--	--	--	--
--	--	--	--
2,652	--	--	17,937
<u>\$ 890,588</u>	<u>\$ 3,502,605</u>	<u>\$ 2,910,510</u>	<u>\$ 562,801</u>
\$ 15,762	\$ 4,249	\$ 3,098	\$ 13,814
4,590	--	--	6,740
--	502,264	424,962	77,311
<u>\$ 20,352</u>	<u>\$ 506,513</u>	<u>\$ 428,060</u>	<u>\$ 97,865</u>
2,652	--	--	17,937
--	2,996,092	2,482,450	446,999
867,584	--	--	--
--	--	--	--
<u>\$ 870,236</u>	<u>\$ 2,996,092</u>	<u>\$ 2,482,450</u>	<u>\$ 464,936</u>
<u>\$ 890,588</u>	<u>\$ 3,502,605</u>	<u>\$ 2,910,510</u>	<u>\$ 562,801</u>

(continued)

**City of Cedar Falls, Iowa**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**  
**(Page 2 of 2)**

	Special Revenue		
	Greenwood Perpetual Care	Fairview Perpetual Care	Hillside Perpetual Care
<b>ASSETS</b>			
Cash	\$ 190,264	\$ 107,434	\$ 33,998
Receivables, net of allowance for uncollectible amounts:			
Property taxes	--	--	--
Other city taxes	--	--	--
Accrued interest	--	--	--
Special assessment	--	--	--
Other	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Inventories	--	--	--
Total assets	\$ 190,264	\$ 107,434	\$ 33,998
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ --	\$ --	\$ --
Accrued liabilities	--	--	--
Deferred revenue	--	--	--
Total liabilities	\$ --	\$ --	\$ --
<b>FUND BALANCES</b>			
Nonspendable	--	--	--
Restricted	190,264	107,434	33,998
Committed	--	--	--
Assigned	--	--	--
Total fund balances	\$ 190,264	\$ 107,434	\$ 33,998
Total liabilities and fund balances	\$ 190,264	\$ 107,434	\$ 33,998

(continued)

	Capital Projects			
Washington Park Renovation	Capital Improvements	Economic Development Capital	Total	
\$ 30,356	\$ 5,290,950	\$ 2,408,344	\$ 15,705,257	
--	--	--	930,031	
--	--	--	77,311	
42	8,253	4,498	31,361	
--	8,858	--	8,858	
--	100,000	--	100,000	
--	--	3,083,809	3,083,809	
--	76,450	--	108,050	
--	--	--	20,589	
<u>\$ 30,398</u>	<u>\$ 5,484,511</u>	<u>\$ 5,496,651</u>	<u>\$ 20,065,266</u>	
\$ --	\$ 139,870	\$ 180	\$ 196,295	
--	--	--	21,288	
--	112,846	--	1,122,358	
<u>\$ --</u>	<u>\$ 252,716</u>	<u>\$ 180</u>	<u>\$ 1,339,941</u>	
--	--	--	20,589	
--	--	--	7,078,488	
--	--	--	867,584	
30,398	5,231,795	5,496,471	10,758,664	
<u>\$ 30,398</u>	<u>\$ 5,231,795</u>	<u>\$ 5,496,471</u>	<u>\$ 18,725,325</u>	
<u>\$ 30,398</u>	<u>\$ 5,484,511</u>	<u>\$ 5,496,651</u>	<u>\$ 20,065,266</u>	

**City of Cedar Falls, Iowa**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**  
**(Page 1 of 2)**

	Community Development Fund	Housing Assistance Fund
<b>Revenues:</b>		
Property taxes and assessments	\$ --	\$ --
Other city taxes	--	--
Use of money and property	--	2,058
Intergovernmental	501,889	1,164,356
Charges for services	--	--
Fines and forfeitures	--	--
Miscellaneous	--	8,605
Total revenues	\$ 501,889	\$ 1,175,019
<b>Expenditures:</b>		
Current:		
Public safety	\$ --	\$ --
Public works	--	--
Culture and recreation	--	--
Community and economic development	540,520	1,237,285
General government	--	--
Capital projects	--	--
Total expenditures	\$ 540,520	\$ 1,237,285
Excess (deficiency) of revenues over (under) expenditures	\$ (38,631)	\$ (62,266)
<b>Other financing sources (uses):</b>		
Transfers in	\$ --	\$ --
Transfers out	--	--
Total other financing sources (uses)	\$ --	\$ --
Net change in fund balances	\$ (38,631)	\$ (62,266)
Fund balances, beginning	82,642	839,506
Increase (decrease) in reserve for inventories	--	--
Fund balances, ending	\$ 44,011	\$ 777,240

Special Revenue

Parking Fund	Police Retirement	Fire Retirement	Visitor & Tourism
\$ --	\$ 319,065	\$ 245,373	\$ --
--	--	--	287,653
4,450	116,587	103,713	3,772
--	--	--	--
36,342	--	--	--
180,829	--	--	--
--	--	--	13,651
<u>\$ 221,621</u>	<u>\$ 435,652</u>	<u>\$ 349,086</u>	<u>\$ 305,076</u>
\$ --	\$ 488,934	\$ 408,988	\$ --
201,143	--	--	--
--	--	--	310,952
--	--	--	--
--	--	--	--
<u>\$ 201,143</u>	<u>\$ 488,934</u>	<u>\$ 408,988</u>	<u>\$ 310,952</u>
<u>\$ 20,478</u>	<u>\$ (53,282)</u>	<u>\$ (59,902)</u>	<u>\$ (5,876)</u>
\$ --	\$ --	\$ --	\$ 51,777
(12,920)	--	--	(14,040)
<u>\$ (12,920)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 37,737</u>
\$ 7,558	\$ (53,282)	\$ (59,902)	\$ 31,861
862,401	3,049,374	2,542,352	440,865
277	--	--	(7,790)
<u>\$ 870,236</u>	<u>\$ 2,996,092</u>	<u>\$ 2,482,450</u>	<u>\$ 464,936</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, 2011**  
**(Page 2 of 2)**

	Special Revenue		
	Greenwood Perpetual Care	Fairview Perpetual Care	Hillside Perpetual Care
<b>Revenues:</b>			
Property taxes and assessments	\$ --	\$ --	\$ --
Other city taxes	--	--	--
Use of money and property	--	--	--
Intergovernmental	--	--	--
Charges for services	6,814	5,668	1,474
Fines and forfeitures	--	--	--
Miscellaneous	--	--	--
Total revenues	<u>\$ 6,814</u>	<u>\$ 5,668</u>	<u>\$ 1,474</u>
<b>Expenditures:</b>			
Current:			
Public safety	\$ --	\$ --	\$ --
Public works	--	--	--
Culture and recreation	--	--	--
Community and economic development	--	--	--
General government	--	--	--
Capital projects	--	--	--
Total expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,814</u>	<u>\$ 5,668</u>	<u>\$ 1,474</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ --	\$ --	\$ --
Transfers out	--	--	--
Total other financing sources (uses)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Net change in fund balances	\$ 6,814	\$ 5,668	\$ 1,474
Fund balances, beginning	183,450	101,766	32,524
Increase (decrease) in reserve for inventories	--	--	--
Fund balances, ending	<u>\$ 190,264</u>	<u>\$ 107,434</u>	<u>\$ 33,998</u>

(continued)

Washington Park Renovation	Capital Projects		Total
	Capital Improvements	Economic Development Capital	
\$ --	\$ --	\$ --	\$ 564,438
--	--	--	287,653
149	79,367	165,814	475,910
--	102,461	--	1,768,706
--	--	--	50,298
--	--	--	180,829
--	110,154	85,000	217,410
<u>\$ 149</u>	<u>\$ 291,982</u>	<u>\$ 250,814</u>	<u>\$ 3,545,244</u>
\$ --	\$ --	\$ --	\$ 897,922
--	--	--	201,143
--	--	--	310,952
--	--	--	1,777,805
--	--	--	--
--	988,873	3,362,225	4,351,098
<u>\$ --</u>	<u>\$ 988,873</u>	<u>\$ 3,362,225</u>	<u>\$ 7,538,920</u>
<u>\$ 149</u>	<u>\$ (696,891)</u>	<u>\$ (3,111,411)</u>	<u>\$ (3,993,676)</u>
\$ --	\$ 73,284	\$ 3,355,332	\$ 3,480,393
--	(63,500)	--	(90,460)
<u>\$ --</u>	<u>\$ 9,784</u>	<u>\$ 3,355,332</u>	<u>\$ 3,389,933</u>
\$ 149	\$ (687,107)	\$ 243,921	\$ (603,743)
30,249	5,918,902	5,252,550	19,336,581
--	--	--	(7,513)
<u>\$ 30,398</u>	<u>\$ 5,231,795</u>	<u>\$ 5,496,471</u>	<u>\$ 18,725,325</u>

**City of Cedar Falls, Iowa**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2011**

	Health Insurance	Health Insurance Severance	Payroll
<b>ASSETS</b>			
Current assets:			
Cash	\$ 6,086,282	\$ 30,947	\$ 2,347,633
Receivables, net of allowance for uncollectible amounts:			
Accrued interest	8,686	--	3,838
Other	54,788	--	3,002
Inventories	--	--	--
Total current assets	\$ 6,149,756	\$ 30,947	\$ 2,354,473
Noncurrent assets:			
Capital assets:			
Buildings	\$ --	\$ --	\$ --
Machinery and equipment	--	--	--
Accumulated depreciation	--	--	--
Total noncurrent assets	\$ --	\$ --	\$ --
Total assets	\$ 6,149,756	\$ 30,947	\$ 2,354,473
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 5,161	\$ 30,947	\$ --
Accrued liabilities	404,998	--	--
Compensated absences due within one year	--	--	--
Noncurrent liabilities:			
Compensated absences after one year	--	--	--
Total liabilities	\$ 410,159	\$ 30,947	\$ --
<b>NET ASSETS</b>			
Invested in capital assets	\$ --	\$ --	\$ --
Unrestricted	5,739,597	--	2,354,473
Total net assets	\$ 5,739,597	\$ --	\$ 2,354,473

<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 3,525,877	\$ 829,005	\$ 1,178,408	\$ 13,998,152
4,858	1,084	1,830	20,296
12,676	--	269	70,736
--	2,998	149,628	152,626
<u>\$ 3,543,411</u>	<u>\$ 833,087</u>	<u>\$ 1,330,135</u>	<u>\$ 14,241,809</u>
\$ --	\$ --	\$ 90,302	\$ 90,302
--	1,155,200	6,258,156	7,413,356
--	(887,933)	(3,564,546)	(4,452,479)
<u>\$ --</u>	<u>\$ 267,267</u>	<u>\$ 2,783,912</u>	<u>\$ 3,051,179</u>
<u>\$ 3,543,411</u>	<u>\$ 1,100,354</u>	<u>\$ 4,114,047</u>	<u>\$ 17,292,988</u>
\$ 25,209	\$ 7,786	\$ 127,311	\$ 196,414
301,881	16,986	15,200	739,065
--	19,713	9,187	28,900
--	15,913	29,383	45,296
<u>\$ 327,090</u>	<u>\$ 60,398</u>	<u>\$ 181,081</u>	<u>\$ 1,009,675</u>
\$ --	\$ 267,267	\$ 2,783,911	\$ 3,051,178
3,216,321	772,689	1,149,055	13,232,135
<u>\$ 3,216,321</u>	<u>\$ 1,039,956</u>	<u>\$ 3,932,966</u>	<u>\$ 16,283,313</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, 2011**

	<u>Health Insurance</u>	<u>Health Insurance Severance</u>	<u>Payroll</u>
Operating revenues:			
Charges for services	\$ 2,701,023	\$ 27,750	\$ 265,830
Other	263,576	--	9,514
Total operating revenues	<u>\$ 2,964,599</u>	<u>\$ 27,750</u>	<u>\$ 275,344</u>
Operating expenses:			
Personal services	\$ --	\$ --	\$ 243,108
Contractual services	3,026,479	27,750	--
Supplies and equipment	--	--	--
Depreciation	--	--	--
Total operating expenses	<u>\$ 3,026,479</u>	<u>\$ 27,750</u>	<u>\$ 243,108</u>
Operating income (loss)	<u>\$ (61,880)</u>	<u>\$ --</u>	<u>\$ 32,236</u>
Nonoperating revenues (expenses):			
Use of money and property	\$ 31,366	\$ --	\$ 13,604
Loss on disposal of equipment	--	--	--
Nonoperating revenues (expenses)	<u>\$ 31,366</u>	<u>\$ --</u>	<u>\$ 13,604</u>
Income (loss) before transfers	\$ (30,514)	\$ --	\$ 45,840
Transfers out	--	--	--
Change in net assets	\$ (30,514)	\$ --	\$ 45,840
Net assets, beginning	5,770,111	--	2,308,633
Net assets, ending	<u>\$ 5,739,597</u>	<u>\$ --</u>	<u>\$ 2,354,473</u>

<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 625,629	\$ 668,672	\$ 1,886,870	\$ 6,175,774
194,621	3,532	30,183	501,426
<u>\$ 820,250</u>	<u>\$ 672,204</u>	<u>\$ 1,917,053</u>	<u>\$ 6,677,200</u>
\$ --	\$ 322,081	\$ 334,798	\$ 899,987
1,124,003	236,695	161,140	4,576,067
--	104,036	798,089	902,125
--	107,716	320,060	427,776
<u>\$ 1,124,003</u>	<u>\$ 770,528</u>	<u>\$ 1,614,087</u>	<u>\$ 6,805,955</u>
<u>\$ (303,753)</u>	<u>\$ (98,324)</u>	<u>\$ 302,966</u>	<u>\$ (128,755)</u>
\$ 16,881	\$ 3,925	\$ 6,391	\$ 72,167
--	(8,335)	(52,209)	(60,544)
<u>\$ 16,881</u>	<u>\$ (4,410)</u>	<u>\$ (45,818)</u>	<u>\$ 11,623</u>
\$ (286,872)	\$ (102,734)	\$ 257,148	\$ (117,132)
--	--	(73,329)	(73,329)
<u>\$ (286,872)</u>	<u>\$ (102,734)</u>	<u>\$ 183,819</u>	<u>\$ (190,461)</u>
3,503,193	1,142,690	3,749,147	16,473,774
<u>\$ 3,216,321</u>	<u>\$ 1,039,956</u>	<u>\$ 3,932,966</u>	<u>\$ 16,283,313</u>

**City of Cedar Falls, Iowa**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**

	Health Insurance	Health Insurance Severance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from interfund services	\$ 2,701,023	\$ 12,773
Payments to suppliers	(2,709,035)	--
Payments to employees	--	(8,615)
Net cash provided by (used for) operating activities	\$ (8,012)	\$ 4,158
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	\$ --	\$ --
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net acquisition of property and equipment	\$ --	\$ --
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	\$ 32,247	\$ --
Net increase (decrease) in cash	\$ 24,235	\$ 4,158
CASH BALANCES, Beginning	6,062,047	26,789
CASH BALANCES, Ending	\$ 6,086,282	\$ 30,947
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (61,880)	\$ --
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	--	--
Change in assets and liabilities:		
(Increase) decrease in:		
Other receivables	(15,060)	--
Inventories	--	--
Increase (decrease) in accounts payable, accrued and other liabilities	68,928	4,158
Net cash provided by (used for) operating activities	\$ (8,012)	\$ 4,158

<u>Payroll</u>	<u>Risk Management</u>	<u>Data Processing</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
\$ 265,830	\$ 625,629	\$ 668,672	\$ 1,886,870	\$ 6,160,797
--	(532,212)	(404,040)	(856,525)	(4,501,812)
(239,171)	--	(316,211)	(331,596)	(895,593)
<u>\$ 26,659</u>	<u>\$ 93,417</u>	<u>\$ (51,579)</u>	<u>\$ 698,749</u>	<u>\$ 763,392</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (73,329)</u>	<u>\$ (73,329)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ (22,577)</u>	<u>\$ (385,209)</u>	<u>\$ (407,786)</u>
<u>\$ 13,867</u>	<u>\$ 17,516</u>	<u>\$ 4,304</u>	<u>\$ 5,940</u>	<u>\$ 73,874</u>
\$ 40,526	\$ 110,933	\$ (69,852)	\$ 246,151	\$ 356,151
2,307,107	3,414,944	898,857	932,257	13,642,001
<u>\$ 2,347,633</u>	<u>\$ 3,525,877</u>	<u>\$ 829,005</u>	<u>\$ 1,178,408</u>	<u>\$ 13,998,152</u>
\$ 32,236	\$ (303,753)	\$ (98,324)	\$ 302,966	\$ (128,755)
--	--	107,716	320,060	427,776
(3,002)	275,028	--	(95)	256,871
--	--	(163)	(27,237)	(27,400)
(2,575)	122,142	(60,808)	103,055	234,900
<u>\$ 26,659</u>	<u>\$ 93,417</u>	<u>\$ (51,579)</u>	<u>\$ 698,749</u>	<u>\$ 763,392</u>

**City of Cedar Falls, Iowa**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source\***  
**June 30, 2011 and 2010**

	2011	2010
<b>Governmental fund capital assets:</b>		
Land	\$ 25,085,997	\$ 20,363,319
Land improvements	12,874,263	12,397,788
Buildings	27,329,311	26,881,545
Machinery and equipment	8,483,524	8,046,557
Infrastructure	151,662,716	139,355,533
Construction in progress	10,570,167	10,144,071
Total governmental funds capital assets	\$ 236,005,978	\$ 217,188,813
 <b>Investments in governmental funds capital assets by source:</b>		
General fund	\$ 22,920,324	\$ 21,465,051
Special revenue funds	42,808,094	36,612,353
Capital projects funds	139,643,626	128,477,479
Internal service	225,195	225,195
Donations	30,408,739	30,408,739
Total governmental funds capital assets	\$ 236,005,978	\$ 217,188,813

\* 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, 2011**

<u>Function and Activity</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>
Public Safety	\$ 12,500	\$ --	\$ 1,024,832
Public Works	290,326	1,829,059	1,513,123
Health & Social Services	151,494	69,599	5,873,537
Culture and Recreation	2,628,942	10,648,059	12,583,088
Community and Economic Development	21,948,834	327,546	2,165,425
General Government	53,901	--	4,169,306
	<u>\$ 25,085,997</u>	<u>\$ 12,874,263</u>	<u>\$ 27,329,311</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>
\$ 964,765	\$ --	\$ --	\$ 2,002,097
3,540,722	145,675,906	2,455,164	155,304,300
--	--	--	6,094,630
2,840,429	5,986,810	536,038	35,223,366
130,906	--	7,578,965	32,151,676
1,006,702	--	--	5,229,909
<u>\$ 8,483,524</u>	<u>\$ 151,662,716</u>	<u>\$ 10,570,167</u>	<u>\$ 236,005,978</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, 2011**

	Governmental Funds Capital Assets July 1, 2010	Additions	Deletions	Governmental Funds Capital Assets June 30, 2011
Public Safety	\$ 2,001,486	\$ 4,003	\$ 3,392	\$ 2,002,097
Public Works	149,112,262	15,073,514	8,881,476	155,304,300
Health & Social Services	6,094,630	--	--	6,094,630
Culture and Recreation	33,792,313	2,635,387	1,204,334	35,223,366
Community and Economic Development	20,985,527	11,366,149	200,000	32,151,676
General Government	5,202,595	187,237	159,923	5,229,909
	<u>\$ 217,188,813</u>	<u>\$ 29,266,290</u>	<u>\$ 10,449,125</u>	<u>\$ 236,005,978</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'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.

<u><b>Contents</b></u>	<u><b>Page</b></u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	103
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	113
<b>Debt Capacity</b>	
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	121
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	133
<b>Operating Information</b>	
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.	138

**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; therefore the first four tables include information beginning in that year.

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

	Fiscal Year		
	2003	2004	2005
<b>Governmental activities</b>			
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
<b>Total governmental activities net assets</b>	<b><u>\$ 134,501,936</u></b>	<b><u>\$ 144,878,688</u></b>	<b><u>\$ 154,107,394</u></b>
<b>Business-type activities</b>			
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
<b>Total business-type activities net assets</b>	<b><u>\$ 31,861,531</u></b>	<b><u>\$ 33,793,473</u></b>	<b><u>\$ 35,554,153</u></b>
<b>Primary government</b>			
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
<b>Total primary government net assets</b>	<b><u>\$ 166,363,467</u></b>	<b><u>\$ 178,672,161</u></b>	<b><u>\$ 189,661,547</u></b>

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 108,359,511	\$ 113,859,357	\$ 118,688,310	\$ 123,367,386	\$ 131,237,132	\$ 145,480,365
17,167,913	18,571,430	20,491,013	21,421,340	22,341,338	24,090,200
37,686,372	42,994,411	45,657,412	48,697,813	52,747,528	50,939,288
<u>\$ 163,213,796</u>	<u>\$ 175,425,198</u>	<u>\$ 184,836,735</u>	<u>\$ 193,486,539</u>	<u>\$ 206,325,998</u>	<u>\$ 220,509,853</u>
\$ 30,991,450	\$ 36,487,852	\$ 41,521,531	\$ 44,414,522	\$ 46,273,076	\$ 52,510,319
808,500	808,500	449,500	449,500	9,500	9,500
6,285,467	5,569,366	4,018,315	4,522,038	4,887,575	6,728,884
<u>\$ 38,085,417</u>	<u>\$ 42,865,718</u>	<u>\$ 45,989,346</u>	<u>\$ 49,386,060</u>	<u>\$ 51,170,151</u>	<u>\$ 59,248,703</u>
\$ 139,350,961	\$ 150,347,209	\$ 160,209,841	\$ 167,781,908	\$ 177,510,208	\$ 197,990,684
17,976,413	19,379,930	20,940,513	21,870,840	22,350,838	24,099,700
43,971,839	48,563,777	49,675,727	53,219,851	57,635,103	57,668,172
<u>\$ 201,299,213</u>	<u>\$ 218,290,916</u>	<u>\$ 230,826,081</u>	<u>\$ 242,872,599</u>	<u>\$ 257,496,149</u>	<u>\$ 279,758,556</u>

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

	Fiscal Year		
	2003	2004	2005
<b>Expenses</b>			
Governmental activities:			
Public safety	\$ 5,485,120	\$ 6,378,906	\$ 6,786,083
Public works	7,554,513	8,083,107	8,121,486
Health and social services	367,638	177,236	261,476
Culture and recreation	4,388,937	4,788,464	5,350,058
Community and economic development	2,461,419	2,641,914	3,345,487
General government	3,164,667	3,309,062	3,751,183
Debt service	1,267,811	1,046,548	960,961
Capital projects	174,271	119,579	--
Total governmental activities expenses	<u>24,864,376</u>	<u>26,544,816</u>	<u>28,576,734</u>
Business-type activities:			
Sewer	2,722,667	2,656,015	2,777,820
Refuse	1,668,192	1,699,546	2,176,174
Storm Water	--	--	--
Total business-type activities expenses	<u>4,390,859</u>	<u>4,355,561</u>	<u>4,953,994</u>
Total primary government expenses	<u>\$ 29,255,235</u>	<u>\$ 30,900,377</u>	<u>\$ 33,530,728</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
Public Safety	\$ 210,770	\$ 561,788	\$ 602,800
Public Works	79,357	311,932	209,424
Culture and Recreation	1,344,018	1,356,978	1,550,008
General Government	1,019,454	1,147,836	1,242,703
Operating grants and contributions	2,077,794	2,207,574	3,143,285
Capital grants and contributions	993,846	4,210,176	2,759,995
Total governmental activities program revenues	<u>5,725,239</u>	<u>9,796,284</u>	<u>9,508,215</u>
Business-type activities:			
Charges for services:			
Sewer	3,638,914	3,747,185	3,777,236
Refuse	2,097,720	2,471,886	2,460,525
Storm Water	--	--	--
Capital grants and contributions: sewer and storm water	8,720	11,687	820,264
Total business-type activities program revenues	<u>5,745,354</u>	<u>6,230,758</u>	<u>7,058,025</u>
Total primary government program revenues	<u>\$ 11,470,593</u>	<u>\$ 16,027,042</u>	<u>\$ 16,566,240</u>
<b>Net (Expense)/Revenues</b>			
Governmental activities	(19,139,137)	(16,748,532)	(19,068,519)
Business-type activities	1,354,495	1,875,197	2,104,031
Total primary government net expense	<u>\$ (17,784,642)</u>	<u>\$ (14,873,335)</u>	<u>\$ (16,964,488)</u>

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 6,920,986	\$ 6,602,108	\$ 8,065,013	\$ 7,192,846	\$ 7,725,740	\$ 8,625,520
9,291,307	9,390,405	9,696,327	13,938,703	10,699,831	10,949,200
325,479	147,007	234,124	310,365	164,836	326,666
5,911,073	5,894,494	6,736,108	6,836,437	6,864,804	7,104,212
4,353,658	4,341,611	4,346,385	5,677,705	7,019,195	7,291,549
3,972,891	3,918,550	4,244,545	4,619,221	4,797,762	4,493,885
968,298	930,278	831,315	754,989	741,933	551,543
--	--	--	--	--	--
<u>31,743,692</u>	<u>31,224,453</u>	<u>34,153,817</u>	<u>39,330,266</u>	<u>38,014,101</u>	<u>39,342,575</u>
3,212,254	3,359,111	3,009,639	3,178,354	3,187,378	3,223,476
1,797,655	2,011,573	2,142,679	2,355,999	2,410,813	2,537,735
--	619,192	652,999	620,460	732,218	693,075
<u>5,009,909</u>	<u>5,989,876</u>	<u>5,805,317</u>	<u>6,154,813</u>	<u>6,330,409</u>	<u>6,454,286</u>
<u>\$ 36,753,601</u>	<u>\$ 37,214,329</u>	<u>\$ 39,959,134</u>	<u>\$ 45,485,079</u>	<u>\$ 44,344,510</u>	<u>\$ 45,796,861</u>
\$ 715,066	\$ 567,948	\$ 534,722	\$ 538,398	\$ 597,348	\$ 661,784
344,199	282,146	249,903	259,569	240,997	217,172
1,841,570	2,024,082	2,028,869	2,184,620	2,170,036	2,206,722
1,323,816	1,165,048	1,466,523	1,191,151	1,587,244	1,588,066
2,533,024	2,461,032	2,365,608	2,153,921	1,606,798	2,360,697
3,622,803	4,922,588	4,395,714	7,183,972	8,928,178	15,073,637
<u>10,380,478</u>	<u>11,422,844</u>	<u>11,041,339</u>	<u>13,511,631</u>	<u>15,130,601</u>	<u>22,108,078</u>
3,862,562	3,794,631	3,775,728	3,999,239	4,015,527	4,138,346
2,576,395	2,746,393	2,833,449	3,148,295	3,186,384	3,318,008
--	731,844	780,666	780,837	787,942	806,364
1,553,151	3,221,140	333,950	983,243	128,795	460,559
<u>7,992,108</u>	<u>10,494,008</u>	<u>7,723,793</u>	<u>8,911,614</u>	<u>8,118,648</u>	<u>8,723,277</u>
<u>\$ 18,372,586</u>	<u>\$ 21,916,852</u>	<u>\$ 18,765,132</u>	<u>\$ 22,423,245</u>	<u>\$ 23,249,249</u>	<u>\$ 30,831,355</u>
(21,363,214)	(19,801,609)	(23,112,478)	(25,818,635)	(22,883,500)	(17,234,497)
2,982,199	4,504,132	1,918,476	2,756,801	1,788,239	2,268,991
<u>\$ (18,381,015)</u>	<u>\$ (15,297,477)</u>	<u>\$ (21,194,002)</u>	<u>\$ (23,061,834)</u>	<u>\$ (21,095,261)</u>	<u>\$ (14,965,506)</u>

(continued)

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

	Fiscal Year		
	2003	2004	2005
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
General revenues:			
Property taxes and assessments	\$ 12,807,408	\$ 14,110,761	\$ 16,034,121
Other city taxes	3,893,997	4,169,362	4,349,790
Use of money and property	3,031,121	2,618,556	1,874,497
Intergovernmental	4,053,397	3,785,710	3,809,479
Fines and forfeitures	527,966	--	--
Miscellaneous	1,156,311	946,121	207,661
Gain on sale of assets	(56,459)	72,034	65,215
Utility contribution in lieu of taxes	1,500,000	1,400,000	1,400,000
Transfers	(371,589)	(20,070)	556,462
Total governmental activities	<u>26,542,152</u>	<u>27,082,474</u>	<u>28,297,225</u>
Business-type activities:			
General revenues:			
Property taxes and assessments	10,396	54,475	149
Use of money and property	170,254	116,420	212,962
Transfers	371,589	20,070	(556,462)
Total business-type activities	<u>552,239</u>	<u>190,965</u>	<u>(343,351)</u>
Total primary government	<u>\$ 27,094,391</u>	<u>\$ 27,273,439</u>	<u>\$ 27,953,874</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ 7,403,015	\$ 10,333,942	\$ 9,228,706
Business-type activities	1,906,734	2,066,162	1,760,680
Total primary government	<u>\$ 9,309,749</u>	<u>\$ 12,400,104</u>	<u>\$ 10,989,386</u>

(continued)

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 17,163,242	\$ 18,931,378	\$ 19,468,413	\$ 20,994,332	\$ 22,066,237	\$ 23,378,676
4,709,758	4,582,479	5,060,324	5,308,296	5,022,500	5,291,546
2,425,140	2,924,080	2,868,337	2,421,181	1,640,456	1,344,936
3,527,541	3,551,695	3,728,669	3,693,255	4,258,253	4,269,954
--	--	--	--	--	--
491,847	474,249	850,716	965,194	1,127,964	1,324,189
--	--	--	--	--	5,668
1,400,000	1,400,000	1,400,000	1,500,000	1,524,990	1,575,010
752,088	149,130	(852,444)	(413,819)	82,559	(5,771,627)
<u>30,469,616</u>	<u>32,013,011</u>	<u>32,524,015</u>	<u>34,468,439</u>	<u>35,722,959</u>	<u>31,418,352</u>
--	1,287	1,609	1,961	1,748	--
301,153	424,012	351,099	224,133	76,663	37,934
(752,088)	(149,130)	852,444	413,819	(82,559)	5,771,627
<u>(450,935)</u>	<u>276,169</u>	<u>1,205,152</u>	<u>639,913</u>	<u>(4,148)</u>	<u>5,809,561</u>
<u>\$ 30,018,681</u>	<u>\$ 32,289,180</u>	<u>\$ 33,729,167</u>	<u>\$ 35,108,352</u>	<u>\$ 35,718,811</u>	<u>\$ 37,227,913</u>
\$ 9,106,402	\$ 12,211,402	\$ 9,411,537	\$ 8,649,804	\$ 12,839,459	\$ 14,183,855
2,531,264	4,780,301	3,123,628	3,396,714	1,784,091	8,078,552
<u>\$ 11,637,666</u>	<u>\$ 16,991,703</u>	<u>\$ 12,535,165</u>	<u>\$ 12,046,518</u>	<u>\$ 14,623,550</u>	<u>\$ 22,262,407</u>

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

	Fiscal Year		
	2003	2004	2005
<b>General Fund</b>			
Nonspendable	\$ 95,374	\$ 78,299	\$ 86,234
Assigned	822,999	896,147	841,776
Unassigned	4,443,954	4,833,976	5,447,124
Total general fund	<u>\$ 5,362,327</u>	<u>\$ 5,808,422</u>	<u>\$ 6,375,134</u>
<b>All Other Governmental Funds</b>			
Nonspendable	\$ 119,201	\$ 143,013	\$ 140,490
Restricted	19,521,889	21,379,781	22,712,063
Committed	11,492,113	12,179,838	12,689,217
Assigned	8,062,665	7,984,681	8,982,080
Unassigned	(2,913)	(2,458)	(509,690)
Total all other governmental funds	<u>\$ 39,192,955</u>	<u>\$ 41,684,855</u>	<u>\$ 44,014,160</u>

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 119,589	\$ 147,220	\$ 131,466	\$ 132,803	\$ 178,147	\$ 181,341
695,321	1,196,550	1,122,010	1,246,712	1,620,436	1,445,007
6,251,432	6,221,822	6,291,771	6,473,074	6,489,104	6,498,932
<u>\$ 7,066,342</u>	<u>\$ 7,565,592</u>	<u>\$ 7,545,247</u>	<u>\$ 7,852,589</u>	<u>\$ 8,287,687</u>	<u>\$ 8,125,280</u>
\$ 138,443	\$ 151,510	\$ 83,341	\$ 84,791	\$ 126,255	\$ 201,205
24,404,192	24,333,854	27,182,248	25,967,407	26,841,011	27,037,209
13,199,514	13,069,761	13,723,684	14,395,783	15,163,647	15,697,718
7,020,781	9,382,350	9,700,146	9,526,406	11,201,701	10,758,664
(598,988)	(701,932)	(358,297)	(186,530)	(1,740,555)	(2,840,288)
<u>\$ 44,163,942</u>	<u>\$ 46,235,543</u>	<u>\$ 50,331,122</u>	<u>\$ 49,787,857</u>	<u>\$ 51,592,059</u>	<u>\$ 50,854,508</u>

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

	2003	2004	2005
<b>Revenues:</b>			
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	<u>\$ 32,012,254</u>	<u>\$ 34,436,522</u>	<u>\$ 34,556,421</u>
<b>Expenditures:</b>			
<b>Current:</b>			
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
<b>Debt service</b>			
Principal	3,605,000	4,025,954	3,408,713
Interest	1,239,970	1,067,520	1,029,414
Capital projects	4,355,970	6,656,971	8,257,673
Total expenditures	<u>\$ 32,151,472</u>	<u>\$ 35,000,566</u>	<u>\$ 37,623,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (139,218)</u>	<u>\$ (564,044)</u>	<u>\$ (3,066,769)</u>
<b>Other financing sources (uses):</b>			
Issuance of long-term debt	\$ 3,554,596	\$ 2,355,000	\$ 5,450,000
Premium on long-term debt	--	--	--
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)	<u>\$ (260,262)</u>	<u>\$ 3,495,304</u>	<u>\$ 5,957,375</u>
Net change in fund balances	<u>\$ (399,480)</u>	<u>\$ 2,931,260</u>	<u>\$ 2,890,606</u>
<b>Debt service as a percentage of noncapital expenditures</b>			
	17.4%	18.0%	16.9%

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 17,186,164	\$ 18,931,049	\$ 19,459,594	\$ 20,994,332	\$ 22,066,237	\$ 23,378,676
4,712,426	4,564,009	5,032,798	5,338,098	5,029,677	5,282,406
982,954	785,116	1,031,667	767,938	1,106,716	1,093,024
2,425,140	2,924,080	2,868,337	2,421,181	1,640,456	1,344,936
6,834,840	7,047,600	9,153,104	10,189,992	12,351,723	21,764,416
2,589,376	2,787,909	2,827,076	2,969,223	3,115,157	3,179,755
652,321	466,199	421,274	436,578	373,752	400,965
437,966	648,118	803,161	994,537	1,057,446	1,370,497
1,400,000	1,400,000	1,400,000	1,500,000	1,524,990	1,575,010
<u>\$ 37,221,187</u>	<u>\$ 39,554,080</u>	<u>\$ 42,997,011</u>	<u>\$ 45,611,879</u>	<u>\$ 48,266,154</u>	<u>\$ 59,389,685</u>
\$ 7,173,967	\$ 7,373,826	\$ 7,996,188	\$ 7,551,507	\$ 7,922,903	\$ 8,155,206
7,595,353	7,928,949	7,282,523	7,783,897	8,816,278	9,027,992
199,164	838,185	87,286	163,528	87,304	178,084
5,277,687	5,330,482	5,536,483	6,065,698	6,076,258	6,557,554
2,384,359	2,345,866	2,529,313	2,253,049	2,291,861	2,602,604
3,814,373	3,929,548	4,168,161	4,381,790	4,613,684	4,316,949
2,920,000	3,040,000	2,850,000	2,910,000	2,930,000	3,235,000
937,274	916,414	806,181	739,841	728,057	596,048
9,612,287	5,392,998	9,857,325	13,486,565	16,357,586	20,000,053
<u>\$ 39,914,464</u>	<u>\$ 37,096,268</u>	<u>\$ 41,113,460</u>	<u>\$ 45,335,875</u>	<u>\$ 49,823,931</u>	<u>\$ 54,669,490</u>
<u>\$ (2,693,277)</u>	<u>\$ 2,457,812</u>	<u>\$ 1,883,551</u>	<u>\$ 276,004</u>	<u>\$ (1,557,777)</u>	<u>\$ 4,720,195</u>
\$ 2,835,000	\$ --	\$ 4,820,000	\$ --	\$ 3,440,000	\$ --
--	--	--	--	227,162	--
5,650,000	--	(1,645,000)	--	5,135,000	--
(43,274)	--	(30,125)	--	(28,724)	--
--	--	--	--	--	--
(5,650,000)	--	--	--	(5,325,000)	--
5,999,757	5,914,848	8,358,264	10,291,922	11,017,106	9,806,376
(5,288,524)	(5,842,507)	(9,227,533)	(10,806,635)	(10,755,275)	(15,504,674)
<u>\$ 3,502,959</u>	<u>\$ 72,341</u>	<u>\$ 2,275,606</u>	<u>\$ (514,713)</u>	<u>\$ 3,710,269</u>	<u>\$ (5,698,298)</u>
<u>\$ 809,682</u>	<u>\$ 2,530,153</u>	<u>\$ 4,159,157</u>	<u>\$ (238,709)</u>	<u>\$ 2,152,492</u>	<u>\$ (978,103)</u>
13.8%	14.6%	11.4%	10.1%	10.3%	10.7%

**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
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
2006	2007	985,250,869	1,925,987,344	5,771,140	5,771,140
2007	2008	1,018,530,684	2,008,358,826	5,453,530	5,453,530
2008	2009	1,098,295,277	2,246,385,815	5,438,677	6,036,110
2009	2010	1,150,078,051	2,330,760,155	5,525,128	5,886,760
2010	2011	1,185,969,161	2,393,911,221	5,381,329	8,196,740

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		
\$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
991,022,009	1,931,758,484	51.30	13.84420
1,023,984,214	2,013,812,356	50.85	13.60793
1,103,733,954	2,252,421,925	49.00	13.26327
1,155,603,179	2,336,646,915	49.46	13.02110
1,191,350,490	2,402,107,961	49.60	12.99252

**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
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
2007	12.51746	1.32674	13.84420	6.83182	0.55784	7.38966
2008	12.41427	1.19366	13.60793	6.82613	0.58407	7.41020
2009	11.94886	1.31441	13.26327	6.35616	0.57975	6.93591
2010	11.82625	1.19485	13.02110	6.12831	0.57689	6.70520
2011	11.81700	1.17552	12.99252	6.22972	0.44212	6.67184

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

Schools				
Operating Millage	Debt Service	Total School Millage	Other	Total
\$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
13.02447	--	13.02447	1.34392	35.60225
13.13283	--	13.13283	1.18405	35.33501
13.73251	--	13.73251	1.36422	35.29591
13.73228	--	13.73228	1.33721	34.79579
14.15215	--	14.15215	1.38794	35.20445

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

Taxpayer	2002		
	Assessed Valuation for Levy Year 2001 - 2002	Rank	Percentage of Total Assessed Valuation
Target Corporation			
College Square Mall Assoc. LLC	\$ 29,339,450	1	2.47 %
R and N Investments	7,839,820	4	0.66
Twenty Seventh Street Assoc, LLC	--	--	--
WB CF Assoc LTD Partners	6,987,210	5	0.59
Cedar Falls Investments, LLC	--	--	--
Walmart Re Business Trust	--	--	--
Standard Distribution Co.	--	--	--
Cedar Properties	--	--	--
Gold Falls Villa Apart LLC	--	--	--
Viking Pump	8,461,230	2	0.71
Deere & Company	8,091,240	3	0.68
Quest Corporation (US West, Inc)	6,212,731	8	0.52
Davenport Farm & Fleet, Inc.	5,833,160	9	0.49
T&T Rentals, LC	4,600,590	10	0.39
Cedar Falls Retirement Residence	6,855,470	6	0.58
Christopherson, Jerry	6,312,440	7	0.53
	<u>\$ 90,533,341</u>		<u>7.62 %</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
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	13,396,021	100.97	1,479
2006	2007	13,963,307	14,007,852	100.32	108
2007	2008	14,161,581	14,114,301	99.67	6,972
2008	2009	14,989,920	14,915,373	99.50	1,464
2009	2010	15,398,267	15,370,354	99.82	2,009
2010	2011	15,871,931	15,850,623	99.87	7,350

Source: Black Hawk County Auditor's Office.

Total Tax Collections	Total Tax Collections as a Percentage of Total Tax Levy	Outstanding Delinquent Taxes	Delinquent Taxes as a Percentage of Total Tax Levy
\$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
14,007,960	100.32	48,550	0.35
14,121,273	99.72	47,296	0.33
14,916,837	99.51	45,039	0.30
15,372,363	99.83	39,266	0.26
15,857,973	99.91	38,380	0.24

**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 General Obligation	General Obligation Capital Loan Note	General Obligation Bonds	Revenue Bonds
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
2007	14,670,000	5,545,000	--	2,270,000	2,740,000
2008	11,055,000	4,665,000	4,820,000	5,825,000	1,005,000
2009	9,435,000	3,760,000	4,435,000	5,285,000	765,000
2010	5,360,000	2,865,000	9,725,000	4,735,000	--
2011	4,340,000	2,015,000	8,360,000	4,160,000	--

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

<sup>1</sup> Population and personal income data can be found on page 131.

<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
\$ 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
25,225,000	2.15	692
27,370,000	2.15	728
23,680,000	1.89	619
22,685,000	1.66	588
18,875,000	1.32	481

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

Fiscal Year	General Obligation Debt	Taxable Value of Property	Percentage Taxable Value of Property	Assessed Value of Property
2002	\$ 30,660,000	\$ 754,821,991	4.06 %	\$ 1,188,336,276
2003	26,535,000	801,654,783	3.31	1,374,429,803
2004	24,175,000	824,823,480	2.93	1,427,127,146
2005	25,500,000	908,858,209	2.81	1,673,902,007
2006	26,235,000	926,086,680	2.83	1,737,456,552
2007	22,485,000	991,022,009	2.27	1,931,758,484
2008	26,365,000	1,023,984,214	2.57	2,013,812,356
2009	22,915,000	1,103,733,954	2.08	2,252,421,925
2010	22,685,000	1,155,603,179	1.96	2,336,646,915
2011	18,875,000	1,191,350,490	1.58	2,402,107,961

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

<sup>1</sup> Includes only general obligation debt supported by property tax dollars.

<u>Percentage Assessed Value of Property</u>	<u>Per Capita</u>
2.58 %	850.34
1.93	735.65
1.69	665.19
1.52	700.93
1.51	720.41
1.16	617.23
1.31	701.51
1.02	599.01
0.97	588.33
0.79	480.77

**City of Cedar Falls, Iowa  
Direct and Overlapping Debt  
As of June 30, 2011**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City <sup>1</sup></u>	<u>Amount Applicable to Government</u>
Direct, City of Cedar Falls, Iowa	\$ <u>14,715,000</u>	100.00 %	\$ <u>14,715,000</u>
Overlapping:			
Black Hawk County	\$ 43,815,000	31.37	\$ 13,744,766
Cedar Falls Public School District	--	--	--
Area VII Hawkeye Community College	<u>10,035,000</u>	18.47	<u>1,853,465</u>
Total Overlapping	<u>\$ 53,850,000</u>		<u>\$ 15,598,230</u>
Total	<u>\$ 68,565,000</u>		<u>\$ 30,313,230</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.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using net taxable property values. Applicable percentages were estimated by determining the portion of the County's net value that is within the government's boundaries and dividing it by the county's total value.

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 59,416,814	\$ 68,721,490	\$ 71,356,357	\$ 83,695,100	\$ 86,872,828
Total net debt applicable to limit	34,295,000	29,920,000	27,265,000	28,260,000	28,660,000
Legal debt margin	<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>
Total net debt applicable to the limit as a percentage of of debt limit	57.72%	43.54%	38.21%	33.77%	32.99%

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

2007	2008	2009	2010	2011
\$ 96,587,924	\$ 100,807,511	\$ 114,324,931	\$ 118,846,750	\$ 122,094,381
24,555,000	28,070,000	24,235,000	25,005,000	20,770,000
<u>\$ 72,032,924</u>	<u>\$ 72,737,511</u>	<u>\$ 90,089,931</u>	<u>\$ 93,841,750</u>	<u>\$ 101,324,381</u>

25.42%                      27.85%                      21.20%                      21.04%                      17.01%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Estimated actual valuation	<u>\$ 2,441,887,629</u>
Debt limit - 5% of total actual valuation	\$ 122,094,381
Debt applicable to debt limit:	
General obligation bonds	18,875,000
General obligation bonds - component unit	1,895,000
	<hr/>
Legal debt margin	<u>\$ 101,324,381</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<sup>1</sup></u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements<sup>2</sup></u>	
				<u>Principal</u>	<u>Interest</u>
2002	\$ 3,938,329	\$ 1,553,672	\$ 2,384,657	\$ 1,315,000	\$ 257,545
2003	3,783,710	1,523,040	2,260,670	390,000	193,405
2004	3,835,712	1,533,885	2,301,827	395,000	172,735
2005	3,943,396	1,622,886	2,320,510	630,000	212,068
2006	4,118,235	2,021,641	2,096,594	655,000	175,227
2007	4,157,338	2,350,397	1,806,941	680,000	146,788
2008	4,070,619	1,977,204	2,093,415	1,735,000	116,368
2009	4,169,965	2,077,587	2,092,378	240,000	28,583
2010	4,066,110	2,076,689	1,989,421	765,000	22,103
2011	4,162,150	2,113,283	2,048,867	--	--

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

<sup>1</sup> Net of depreciation, interest, and debt service transfers.

<sup>2</sup> Includes principal and interest of revenue bonds only.

Debt Service  
Requirements<sup>2</sup>

<u>Total</u>	<u>Coverage</u>
\$ 1,572,545	1.52
583,405	3.87
567,735	4.05
842,068	2.76
830,227	2.53
826,788	2.19
1,851,368	1.13
268,583	7.79
787,103	2.53
--	--

**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>
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
2006 - 07	1,695,516	3,694,725
2007 - 08	1,765,541	4,492,230
2008 - 09	1,873,290	4,666,695
2009 - 10	1,523,683	4,665,753
2010 - 11	1,664,689	4,735,783

Source: Cedar Falls Utilities

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

<u>Fiscal Year Ending in June</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Government</u>	<u>Other</u>	<u>Total</u>
2002	10,045	843	40	170	3	11,101
2003	10,276	866	39	179	3	11,363
2004	10,365	890	39	173	3	11,470
2005	10,764	909	37	177	3	11,890
2006	11,057	936	35	183	3	12,214
2007	11,237	955	35	190	3	12,420
2008	11,445	983	38	195	3	12,664
2009	11,258	972	35	197	3	12,465
2010	11,529	984	34	196	3	12,746
2011	11,814	991	33	200	3	13,041

Source: Water Sales Statistics for June

**City of Cedar Falls, Iowa  
Largest Sewer Customers  
Fiscal Year 2011**

Customer	Water Sales (CCF)	Percent of Total Water Sales	Sewer Charges	Percent of Total Sewer Charges
University of Northern Iowa	122,687	7.37 %	\$ 250,498	5.29 %
Nazareth Lutheran Church	23,015	1.38	42,593	0.90
Western Home Communities	22,191	1.33	87,089	1.84
Country Terrace MHP LLC-700 W Ridgeway	19,950	1.20	80,731	1.70
Target Corporation	15,635	0.94	48,229	1.02
Metokote Corporation	12,711	0.76	23,931	0.51
Sartori Mem. Hospital Inc.	12,069	0.73	21,722	0.46
College Park Mills	10,269	0.62	34,493	0.73
Lutheran Home	10,048	0.60	29,815	0.63
CF Schools	9,897	0.59	27,281	0.58
Enterprises LLC	8,294	0.50	37,731	0.80
Gold Falls Villa Apts.	8,208	0.49	46,746	0.99
Total 2011 CCF	1,664,689			
Total 2011 Sewer Billings			\$4,735,783	

Source: Cedar Falls Utilities, Finance Dept. special IS report

**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 Income<sup>1</sup></u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2002	36,056	\$ 894,008,520	\$ 24,795	26.0	4,339	3.3
2003	36,070	928,730,360	25,748	26.0	4,385	3.8
2004	36,343	975,664,178	26,846	26.0	4,437	4.0
2005	36,380	1,001,577,780	27,531	25.7	4,393	3.7
2006	36,417	1,140,981,027	31,331	25.7	4,435	2.9
2007	36,429	1,174,398,102	32,238	25.7	4,502	2.3
2008	37,583	1,271,771,137	33,839	25.7	4,501	2.6
2009	38,255	1,251,129,775	32,705	25.7	4,515	3.2
2010	38,558	1,365,261,664	35,408	25.4	4,678	4.2
2011	39,260	1,428,121,760	36,376	26.8	4,645	5.9

Sources: Population provided by the US Census Bureau. 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.

<sup>1</sup> 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	2002		
	Number of Employees <sup>1</sup>	Rank	Percentage of Total City Employment
John Deere Product Engineer Center <sup>2</sup>	4,748	1	24.06%
Wheaton Franciscan Healthcare <sup>2</sup>	--	--	--
University of Northern Iowa	2,956	2	14.98%
Hy-Vee Food Stores <sup>2</sup>	--	--	--
Area Education Agency 267	--	--	--
Wal-Mart Super Center <sup>2</sup>	--	--	--
Cedar Falls Community School District	600	3	3.04%
City of Cedar Falls/Municipal Utilities	487	5	2.47%
Viking Pump Inc, Unit of Index Corp.	562	4	2.85%
Target Distribution	--	--	--
Wayne Engineering Corp.	130	9	0.66%
Younkers, Inc	120	10	0.61%
Martin Brothers Distributing Co., Inc	342	6	1.73%
Sartori Hospital	294	7	1.49%
The Western Home	258	8	1.31%
<b>Total</b>	<b>10,497</b>		<b>53.18%</b>

Source: Official Bond Statements from Public Financial Management, Inc.

<sup>1</sup> Number of employees includes all full-time, part-time and seasonal employees.

<sup>2</sup> Number of employees includes multiple locations in both Cedar Falls and Waterloo.

2011

<u>Number of Employees<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
5,300	1	22.75%
3,018	2	12.95%
1,850	3	7.94%
1,121	4	4.81%
1,110	5	4.76%
755	6	3.24%
652	7	2.80%
533	8	2.29%
480	9	2.06%
475	10	2.04%
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
15,294		65.64%

**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				
	2002	2003	2004	2005	2006
Public Safety					
Police	52.85	49.89	49.89	49.89	50.89
Fire	35.10	35.40	34.60	34.60	35.60
Inspection Services	6.00	6.00	6.00	6.00	6.50
Public Works					
Streets	21.57	24.00	24.82	24.35	25.35
Parking Meter	3.05	3.05	3.10	3.10	3.10
Engineering	13.60	13.60	13.60	11.60	11.60
Culture and Recreation					
Human & Leisure Administration	2.50	2.00	2.00	2.00	2.25
Cultural Services	10.40	10.50	9.05	8.81	8.81
Library	14.80	14.80	14.80	16.20	16.20
Cemetery	4.40	4.40	4.40	4.60	4.60
Golf	5.60	5.60	6.40	7.15	7.15
Parks	18.00	18.00	16.20	18.68	18.68
Recreation	31.05	31.05	31.05	31.05	31.05
Visitor & Tourism	1.80	2.40	2.40	2.60	2.60
Senior Services	--	--	--	--	--
Community & Economic Development					
Developmental Services Admin.	1.50	1.50	1.50	1.50	1.50
Economic Development	1.85	1.85	1.85	1.85	1.85
Planning Services	3.10	3.43	3.43	3.43	3.43
Block Grant	2.15	2.20	2.20	2.20	2.20
Housing Vouchers	2.50	2.50	2.50	2.50	2.50
Section 8 Housing	--	--	--	--	--
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	5.58	5.58	4.95	4.95	4.95
Legal Services	3.00	3.00	3.00	3.00	2.00
Personnel	2.50	2.00	2.00	2.00	2.00
Public Records	3.80	3.50	3.50	3.50	3.50
Cable TV	3.80	4.00	4.00	3.00	4.00
Print Shop	1.00	1.00	1.00	1.00	1.00
Public Buildings	12.78	10.78	11.31	12.11	14.11
Internal Service					
Information Systems	3.00	3.00	3.00	3.00	4.00
Vehicle Maintenance	6.40	6.40	6.40	6.40	6.40
Sewer	17.30	17.30	17.30	16.75	16.88
Refuse	17.80	16.43	16.50	16.80	15.80
Storm Water	--	--	--	--	--
Total	311.78	308.16	305.75	307.62	313.50

Source: City's Financial Plans

Full-Time Equivalent Employees as of June 30

2007	2008	2009	2010	2011
51.49	51.69	53.44	52.69	51.74
35.65	35.65	35.65	35.65	33.80
6.50	6.40	6.40	7.40	7.40
24.37	24.37	20.56	20.56	21.56
3.66	3.61	3.61	3.61	3.61
11.57	11.42	11.42	11.42	11.42
2.25	2.25	2.25	2.25	2.25
8.00	8.00	8.00	8.20	8.48
17.53	17.25	17.25	17.55	17.73
4.60	4.60	4.60	4.60	4.60
5.50	4.70	4.90	5.30	5.00
18.48	18.90	20.10	20.10	20.65
30.88	32.23	33.50	34.26	35.26
2.90	2.90	3.20	3.20	3.20
0.50	0.50	1.23	1.23	0.78
1.50	1.50	1.50	1.50	1.50
1.77	2.10	2.26	2.00	2.00
3.68	3.68	3.68	3.68	3.68
2.17	1.84	1.68	1.69	1.67
1.79	1.79	1.79	1.84	1.87
--	--	--	--	--
1.50	1.50	1.50	1.50	1.50
1.50	1.50	1.50	1.50	1.50
5.95	6.45	6.45	6.45	6.45
3.00	3.00	3.00	3.00	3.00
--	--	--	--	--
3.45	3.70	3.70	3.70	3.70
4.30	4.50	4.50	4.50	4.50
1.00	1.00	1.00	1.00	1.00
14.71	15.25	15.25	15.25	15.84
4.00	4.00	4.00	4.00	4.00
6.10	6.10	6.10	6.10	6.10
16.30	16.72	18.38	18.38	18.38
17.80	17.80	19.30	19.30	22.35
3.25	3.30	3.30	3.30	4.30
<u>317.65</u>	<u>320.20</u>	<u>325.00</u>	<u>326.71</u>	<u>330.82</u>

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

	Fiscal Year		
	2002	2003	2004
<b>Public Safety</b>			
<b>Police</b>			
Physical arrests	1,386	1,485	1,672
Traffic violations	3,959	4,033	5,453
Parking violations	48,613	42,162	37,260
<b>Fire</b>			
Number of calls answered	1,435	1,554	1,511
Inspections conducted	4,554	3,367	2,166
<b>Sewer</b>			
<b>Sewage System</b>			
Daily average treatment in gallons	4,750,000	4,120,000	4,120,000
Maximum daily capacity of treatment plant in gallons	21,600,000	21,600,000	21,600,000
<b>Water System</b>			
Daily average consumption in gallons	3,783,126	3,800,209	3,800,209
Maximum daily capacity of plant in gallons	21,600,000	21,600,000	21,600,000
<b>Refuse<sup>1</sup></b>			
<b>Solid Waste</b>			
32 Gallon Containers	--	--	3,155
68 Gallon Containers	--	--	5,679
95 Gallon Containers	--	--	1,093
<b>Yard Waste</b>			
95 Gallon Containers	--	--	4,499

**Sources:** Various city departments

<sup>1</sup> Statistics begin in FY04

Fiscal Year

2005	2006	2007	2008	2009	2010	2011
1,616	1,670	1,421	1,353	1,501	1,403	1,199
6,007	4,705	2,562	7,267	3,544	3,237	2,966
34,056	29,952	25,575	26,354	25,267	21,726	18,646
1,452	1,599	1,925	1,936	2,016	1,937	1,924
1,807	2,517	2,331	2,470	2,076	3,750	1,854
4,600,000	4,550,000	5,730,000	6,510,000	5,130,000	5,726,000	5,210,000
21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000
3,439,943	3,636,258	3,379,708	3,660,000	4,110,000	4,135,000	3,400,000
21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	22,813,000	23,400,000
3,299	3,344	3,382	3,529	3,735	4,047	4,343
5,903	5,997	6,169	6,273	6,337	6,490	6,780
1,284	1,464	1,652	1,760	1,876	1,998	2,163
4,924	5,280	5,575	5,769	5,999	6,281	6,554

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Public safety</b>					
Police					
Stations	1	1	1	1	1
Patrol Units	12	12	12	12	10
Fire					
Stations	2	2	2	2	1
Fire apparatus	8	8	8	8	8
<b>Public works</b>					
Streets					
Miles	200	200	200	203	205
Street lights	2,609	2,642	2,670	2,695	2,705
<b>Health and social services</b>					
Hospital					
Number of patient beds	101	101	101	101	101
<b>Cultural and Recreation</b>					
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	3	3	3	3	3
Miniature golf course	1	1	1	1	1
Parks	34	34	34	34	34
Acreage	1,116	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	8	8	8	8	8
Baseball fields	2	2	2	2	2
Tennis courts	6	6	6	6	6
<b>Sewer</b>					
Sewage System					
Miles of sanitary sewer	150	160	160	162	163
Miles of storm sewers	160	160	160	161	162
Number of treatment plants	1	1	1	1	1
Number of service connectors	10,790	11,039	11,039	11,039	11,649
Water Systems					
Miles of water mains	167.00	169.00	169.00	175.30	184.70
Number of service connectors	10,643	10,967	10,967	11,407	11,682
Number of city owned fire hydrants	1,468	1,503	1,503	1,593	1,717

**Sources:** Various city departments

Fiscal Year

2007	2008	2009	2010	2011
1	1	1	1	1
10	10	10	10	10
2	2	2	2	2
8	8	8	8	8
210	215	217	217	217
2,856	2,998	3,025	3,048	3,080
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	2	2	2
--	--	--	--	--
34	34	34	34	34
1,116	1,136	1,136	1,136	1,136
1	1	1	1	1
3	3	3	3	3
8	8	8	9	9
2	2	2	2	2
6	6	6	6	6
169	177	178.62	178.99	180.11
167	168	171.2	171.4	172.13
1	1	1	1	1
11,966	11,975	12,145	12,187	12,544
181.80	192.90	195.70	198.24	199.00
12,041	12,212	12,169	12,328	12,544
1,771	1,951	1,892	1,923	2,067



Information to Comply with *Government Auditing Standards*  
and OMB Circular A-133, *Audits of States, Local*  
*Governments and Non-Profit Organizations*  
June 30, 2011

**City of Cedar Falls, Iowa**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 1

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133..... 3

Schedule of Expenditures of Federal Awards ..... 5

Notes to the Schedule of Expenditures of Federal Awards..... 8

Schedule of Findings and Questioned Costs ..... 9



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

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

We have audited the 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Cedar Falls, Iowa, and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Cedar Falls, Iowa, and other parties to whom the City of Cedar Falls, Iowa, may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Dubuque, Iowa  
October 28, 2011



**Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Cedar Falls, Iowa, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Cedar Falls, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of the City of Cedar Falls, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Cedar Falls, Iowa, and other parties to whom the City of Cedar Falls, Iowa, may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa  
October 28, 2011

City of Cedar Falls, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:			
Direct program:			
Economic Adjustment Assistance	11.307		<u>\$ 2,703,771</u>
U.S. Department of Housing and Urban Development:			
Direct program:			
CDBG – Entitlement Grants Cluster			
Community Development Block			
Grants/Entitlement Grants	14.218		439,830
ARRA - Community Development Block			
Grant ARRA Entitlement Grants			
(CDBG-R) (Recovery Act Funded)	14.253		<u>13,795</u>
Total CDBG – Entitlement Grants			
Cluster			<u>453,625</u>
Pass-through program from:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRPG-005	28,464
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-007	829,943
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-227	2,302,606
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-086	238,528
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-240	198,161
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHM-014	239,449
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-202	<u>312,120</u>
			<u>4,149,271</u>

City of Cedar Falls, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development: (continued)			
Pass-through program from:			
City of Waterloo, Iowa:			
HOME Investment Partnerships Program	14.239	M01DC190206	\$ 35,310
Direct program:			
Section 8 Housing Choice Vouchers	14.871		1,164,356
Total U.S. Department of Housing and Urban Development			<u>5,802,562</u>
U.S. Department of Justice:			
Direct program:			
Bulletproof Vest Partnership Program	16.607		3,020
ARRA - Public Safety Partnership and Community Policing Grants	16.710		60,085
Total U.S. Department of Justice			<u>63,105</u>
U.S. Department of Transportation:			
Pass-through program from:			
Iowa Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	ESL-1185(641)--7S-07	\$ 505,860
ARRA - Highway Planning and Construction	20.205	ESL-1185(642)--7S-07	207,500
Highway Planning and Construction	20.205	SRTS-U-1185(643)--8U-07	76,450
Highway Planning and Construction	20.205	STP-U-1185(631)--70-07	6,176
Highway Planning and Construction	20.205	EDP-1185(637)--7Y-07	66,703
Highway Planning and Construction	20.205	STP-U-1185(625)--70-07	1,471
Highway Planning and Construction	20.205	STP-U-1185(635)--70-07	95,044
			<u>959,204</u>
Pass-through program from:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	10-04	997
State and Community Highway Safety	20.600	11-04	9,149
			<u>10,146</u>
Total U.S. Department of Transportation			<u>969,350</u>

City of Cedar Falls, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Endowment for the Arts:			
Direct program:			
Promotion of the Arts - Grants to Organizations and Individuals	45.024		\$ 10,000
U.S. Department of Energy:			
Direct program:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		133,255
Pass-through program from:			
Iowa Office of Energy Independence:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	EECBG10-3369	52,712
Total U.S. Department of Energy			<u>185,967</u>
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763-IA;01RJD03	\$ 378,719
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA DR-1763	165,941
			<u>544,660</u>
Hazard Mitigation Grant	97.039	HMGP-DR-1763-008601	715,584
Hazard Mitigation Grant	97.039	HMGP-DR-1763-001401	696,626
			<u>1,412,210</u>
Total U.S. Department of Homeland Security			<u>1,956,870</u>
Total			<u>\$ 11,691,625</u>

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Cedar Falls, Iowa, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Subrecipients**

Of the federal expenditures presented in the schedule, the City of Cedar Falls, Iowa, provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 44,945
ARRA - Public Safety Partnership and Community Policing Grants	16.710	\$ 60,085

**Part I: Summary of the Independent Auditor's Results:**

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified No  
 Significant deficiency None reported

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major programs:

Material weakness identified No  
 Significant deficiency None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in  
 accordance with Circular A-133, Section .510(a) No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
81.128	Energy Efficiency and Conservation Block Grant Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant
Dollar threshold used to distinguish between Type A and Type B programs	\$350,749
Auditee qualified as low-risk auditee	Yes

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-11 Certified Budget** - Disbursements during the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Expenditures** - We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-11 Business Transactions** - No business transactions between the City and City officials or employees were noted.
- II-E-11 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-11 Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-11 Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.