

CITY OF CEDAR FALLS, IOWA

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2015**

Prepared by:
Financial Services
Of
Finance & Business Operations

Jennifer Rodenbeck, CPA, CPFO
Director of Finance & Business Operations

**City of Cedar Falls, Iowa
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

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DEPARTMENT OF FINANCE AND BUSINESS OPERATIONS

CITY OF CEDAR FALLS, IOWA

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October 23, 2015

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

The City of Cedar Falls, Iowa (City) is required by the Code of Iowa to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles. Pursuant to these requirements, 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, 2015. This is the first CAFR completed in compliance with the Government Standards Board (GASB) Statements No. 68 and No. 71.

Management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that it has established for this purpose. Because of the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP, a firm of independent public accountants has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2015. Their opinion is included in the Financial Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

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.

PROFILE OF THE CITY OF CEDAR FALLS

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 occur periodically when deemed appropriate by the City Council.

The City operates under a mayor-council form of government with an appointed city administrator. 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 supervising the City Administrator. The City Administrator is appointed by the Council and serves as the chief administrative officer. The mayor and council members 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.

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.

The City Council is required by Chapter 384 of the Code of Iowa to adopt an annual budget on or before March 15 of each year. The annual budget serves as the foundation for the City's financial planning and control and is prepared by function. The adopted budget provides appropriations (authority to spend) for program operations for the fiscal year that begins on July 1 and ends on June 30 of the following year. Budget amendments must be prepared and adopted in the same manner as the original budget.

ECONOMIC CONDITION AND OUTLOOK

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.

Since the devaluation of property in 1986-1988, Cedar Falls has had steady growth in property values. Assessed values increased in FY16 by \$40 million. Even with the implementation of the commercial rollback by the State of Iowa, taxable values still increased by \$19 million. (See Attachment A)

The City of Cedar Falls maintains a comparatively low tax rate. Cedar Falls has the sixth lowest tax rate per capita of the twenty largest cities in the state of Iowa (See Attachment B). 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 numbers of full-time employees per 1,000 residents in FY14. (See Attachment C).

Over the past ten years Cedar Falls' residential housing sales prices have significantly increased. In 2004, the average sales price reported was \$168,589. In 2014, the average sales price was \$223,093, which is a thirty-two (32) percent increase in the past ten years (See Attachment D). These statistics indicate that Cedar Falls' local economy is sound and there is a strong market for Cedar Falls homes.

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.

Tourism continues to be strong for Cedar Falls. Cedar Falls was awarded the Outstanding Tourism Community of the Year by the Iowa Tourism Office. During 2014-2015 the City, in conjunction with other agencies, hosted the following events:

- RAGBRAI
- Iowa High School Playoffs
- Iowa Shrine Bowl
- Iowa Trails Summit
- Iowa State Trap Shoot
- Hawkeye Farm Show
- USA Preseason National Wrestling Championships

LONG-TERM FINANCIAL PLANNING

The City Council and administration routinely consider the long-term view regarding financial matters. Operating budget decisions are based on the long-term impact of appropriations and funding. A three-year budget financial plan is prepared each year for all funds of the city. The city has a detailed Capital Improvements Plan (CIP) that considers the impact of the investment in infrastructure, the associated debt burden, and any changes in operating costs associated with maintaining new assets.

In addition to the financial plan and CIP, the City Council each year has a goal setting session where they identify goals for the upcoming fiscal year and discuss strategy in dealing with any upcoming financial challenges. Each department prior to the goal setting session prepares a document outlining their accomplishments during the past year and the goals for their department in the upcoming year.

RELEVANT FINANCIAL POLICIES

The City Council through their annual goals and financial plan document has adopted a comprehensive set of budget and fiscal policies relating to financial management.

Budget – Adopt a balanced budget, which is reflective of the community’s economic climate and needs. Maintain a stable property tax rate, depositing annually funds in excess of operations expenses in a capital reserve account for one-time expenses as approved by the City Council. Evaluate each newly proposed service to determine cost, relative importance and value of each service. Study methods of saving energy.

Cash Reserves – The City will maintain an unreserved balance at year-end at a level determined to meet cash flow requirements, emergency needs, and bond rating criteria. The minimum criteria shall be:

- General Fund – The City Council has established that the General Fund balance be maintained between 15% and 25% of next year’s expenditures and preferably at the 20-25% level.
- Refuse Fund – 20-30%, but no less than \$500,000.
- Sewer Fund – 65-75%, but no less than \$1,500,000.
- Street Fund – 20-30%, but no less than \$1,000,000.
- Storm Water Fund – 10-20%, but no less than \$200,000.

Economic Development – The City will take active measures to encourage economic development of the community with the intent of increasing jobs and the tax base.

Debt Administration – Long-term debt will fund the design, inspection, and construction of capital improvement projects and will not be used for annual operating expenses. The total general obligation debt will not exceed 5% of the total assessed value of real property as required under the Code of Iowa. The issuance of new debt shall not exceed a replacement debt level. Whenever possible, existing debt should be refinanced to secure the lowest possible interest costs.

Capital Improvement Budget Policies – The City will make all capital improvements in accordance with an adopted capital improvements program and will develop a multi-year plan for capital improvements on an annual basis. The development of the capital improvements program is coordinated with the annual budget process and will determine the least costly financing method for all new projects. The City will maintain all assets at a level adequate to protect the City’s capital investment and to minimize future maintenance and replacement costs. A maintenance and replacement schedule for equipment will be developed and followed.

MAJOR INITIATIVE

Reorganization: Beginning in FY15, a new organizational structure was implemented for the City of Cedar Falls. The reorganization reduced the number of departments from six to four. This included the combination and moving of multiple divisions under each department. The savings are estimated to be approximately \$504,000 annually in salaries and approximately \$713,000 annually if you include benefits.

The City's last comprehensive management reorganization occurred in 1988 when the City Council elected to convert fifteen departments down to five. In 2000, the public safety department was dissolved and police and fire separated into two departments, bringing the total number of departments up to six. Downsizing of city operations best starts with management with a top-down restructuring that recognizes that the retention of employees who provide direct services to the general public are the most critical to providing public services and maintaining service quality. The new reorganization used this strategy.

This reorganization was a result of trying to reduce operating costs in response to projected financial constraints caused by changes in State legislation. One piece of the new legislation caused the rollback to drop on commercial properties from 100% to 95% for FY15 and down to 90% for FY16. The other piece of legislation that will have a greater impact on Cedar Falls is a creation of a new class of property titled multi-residential. These properties will have a decrease in valuation over an eight year period and will eventually only be taxed at a rollback rate equivalent to residential properties which is currently at 54.40% for FY15. Preliminary projections from these new pieces of legislation could bring over a \$2 million loss in property taxes for the City of Cedar Falls by the end of the phase in period.

The City will need to continue to analyze the effects of the new legislation and continue to look for ways to streamline costs. The City will need to look at ways to improve operational efficiencies. These ideas may be in the form of utilizing dual-role employees, utilizing improved technology, and analysis of equipment lives and usage.

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, 2014. 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-five consecutive years (fiscal years ended 1990-2014). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Financial Services Division, particularly Lisa Roeding, Controller/City Treasurer 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.

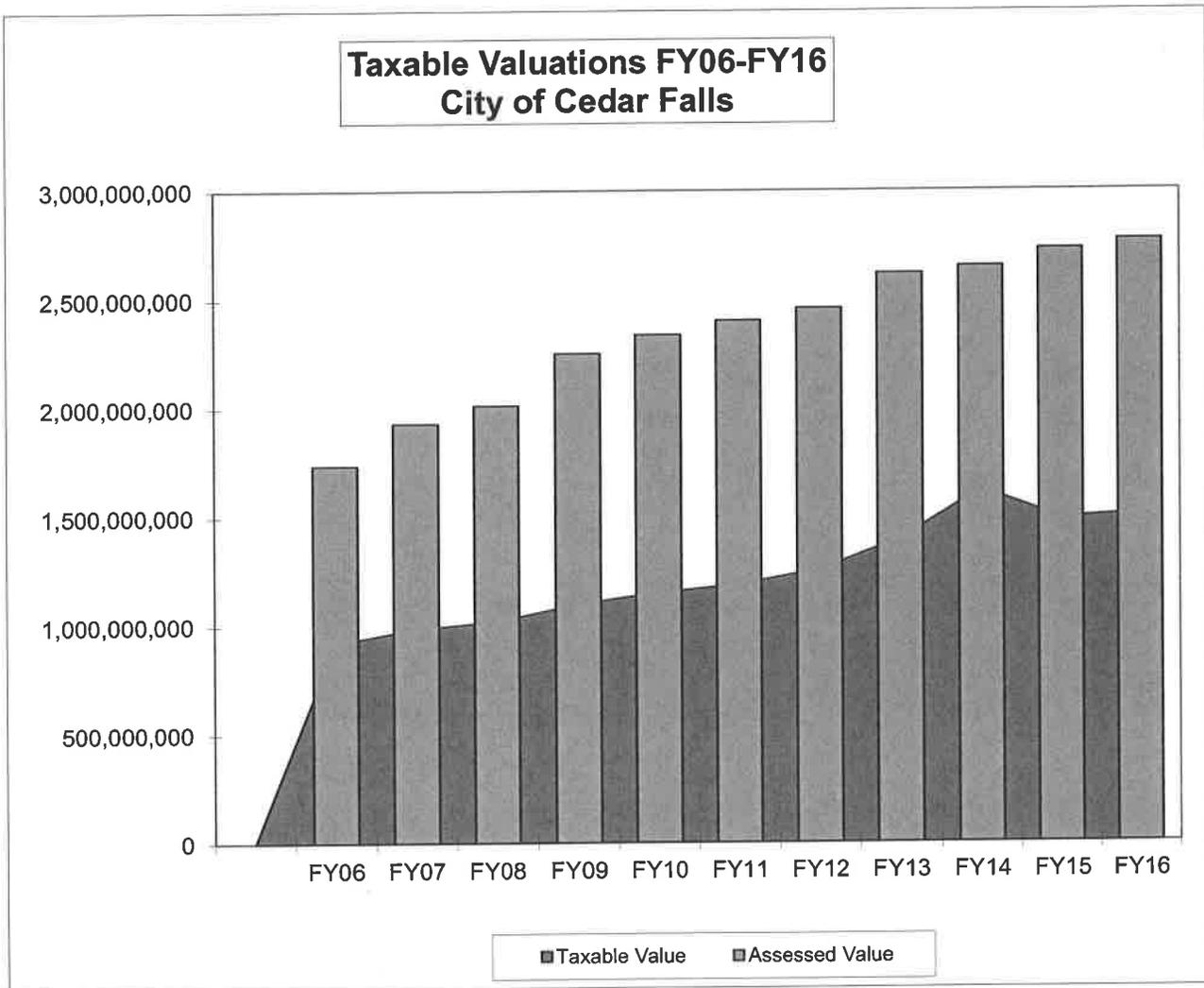
Sincerely,



Jennifer Rodenbeck, CPA, CPFO
Director of Finance and Business Operations

ATTACHMENT A

taxvalue16



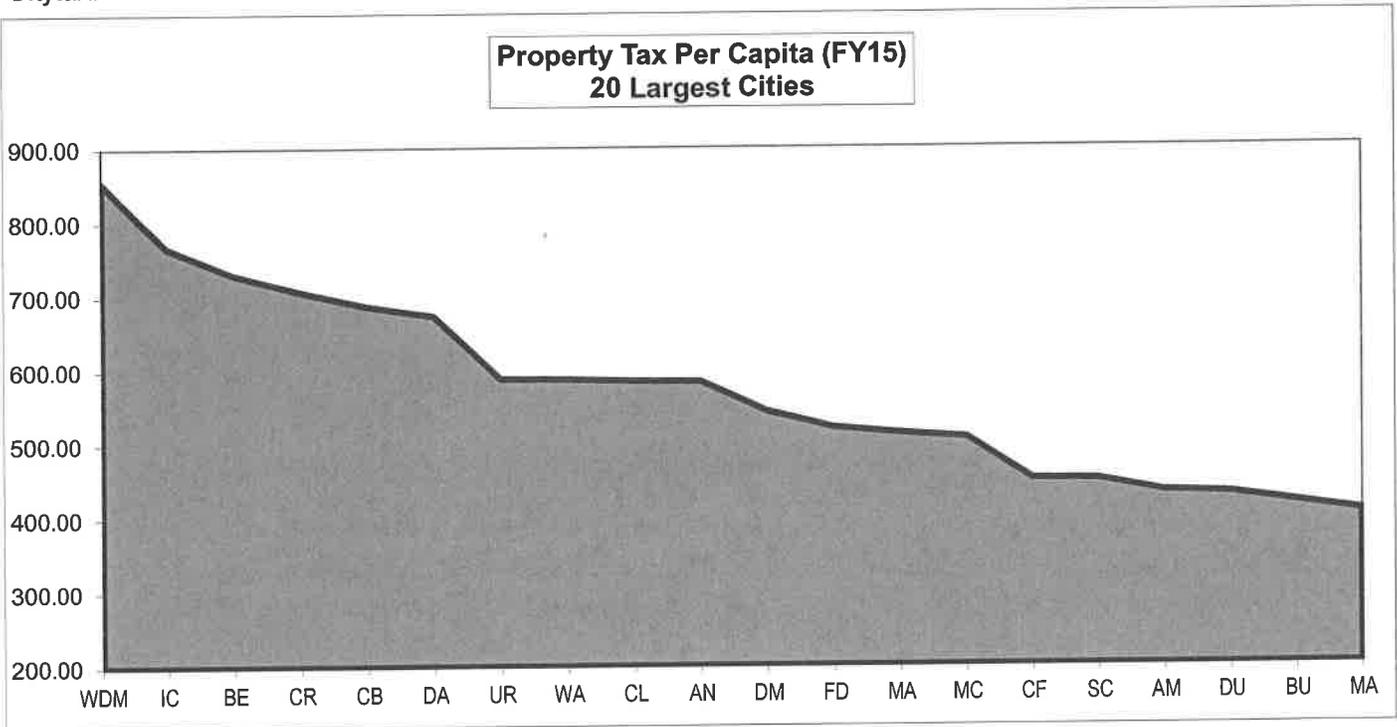
| Year | Taxable Value | Assessed Value |
|------|---------------|----------------|
| FY06 | 920,739,030 | 1,737,456,552 |
| FY07 | 985,250,869 | 1,931,758,484 |
| FY08 | 1,018,530,684 | 2,013,812,356 |
| FY09 | 1,098,295,277 | 2,252,421,925 |
| FY10 | 1,150,078,051 | 2,336,646,915 |
| FY11 | 1,185,969,161 | 2,402,107,961 |
| FY12 | 1,254,821,347 | 2,458,320,459 |
| FY13 | 1,393,511,204 | 2,618,319,843 |
| FY14 | 1,622,862,335 | 2,650,433,900 |
| FY15 | 1,490,616,188 | 2,729,240,639 |
| FY16 | 1,509,722,828 | 2,769,405,368 |

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 FY16, assessed values increased by \$40,164,729. Taxable values increased by \$19,106,640.

ATTACHMENT B

Citytaxr



Property Tax Per Capita (FY15)
20 Largest Iowa Cities

| City | FY15 Tax Per Person | 2010 Population | Abbreviation |
|--------------------|---------------------|-----------------|--------------|
| West Des Moines | 854.24 | 56,609 | WDM |
| Iowa City | 766.57 | 67,862 | IC |
| Bettendorf | 730.11 | 33,217 | BE |
| Cedar Rapids | 706.79 | 126,326 | CR |
| Council Bluffs | 687.02 | 62,230 | CB |
| Davenport | 673.43 | 99,685 | DA |
| Urbandale | 588.62 | 39,463 | UR |
| Waterloo | 587.44 | 68,406 | WA |
| Clinton | 584.92 | 26,885 | CL |
| Ankeny | 584.14 | 45,582 | AN |
| Des Moines | 543.20 | 203,433 | DM |
| Fort Dodge | 520.98 | 25,206 | FD |
| Marion | 513.26 | 34,768 | MA |
| Mason City | 507.34 | 28,079 | MC |
| Cedar Falls | 450.54 | 39,260 | CF |
| Sioux City | 449.71 | 82,684 | SC |
| Ames | 433.25 | 58,965 | AM |
| Dubuque | 430.44 | 57,637 | DU |
| Burlington | 418.01 | 25,663 | BU |
| Marshalltown | 405.31 | 27,552 | MA |
| Average | 571.77 | | |

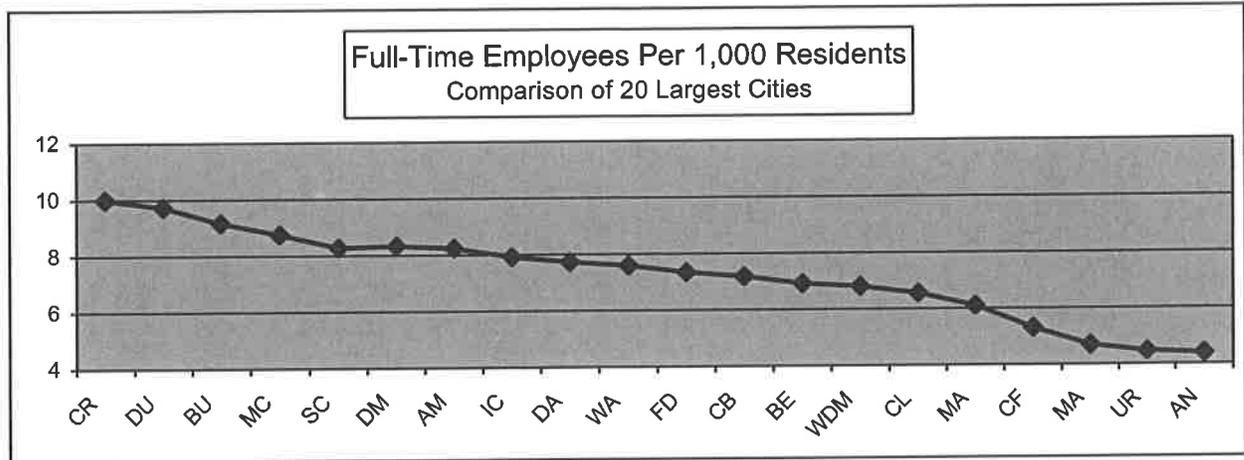
For over two decades Cedar Falls' local government has operated at one of the lowest per capita property tax rates among the 20 largest cities in Iowa.

At a cost of \$450.54 per person, the City is substantially below the average rate of \$571.77. 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 4.7 million dollars would be devoted to operations. This would be an increase of 27% of taxes levied in FY15.

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 C



| City | FY14 Employees | 2010 Population | Employees Per 1,000 |
|--------------------|----------------|-----------------|---------------------|
| Cedar Rapids | 1262.0 | 126,326 | 9.99 |
| Dubuque | 561.0 | 57,637 | 9.73 |
| Burlington | 235.0 | 25,663 | 9.16 |
| Mason City | 246.0 | 28,079 | 8.76 |
| Sioux City | 685.0 | 82,684 | 8.28 |
| Des Moines | 1697.0 | 203,433 | 8.34 |
| Ames | 486.0 | 58,965 | 8.24 |
| Iowa City | 538.0 | 67,862 | 7.92 |
| Davenport | 770.0 | 99,685 | 7.72 |
| Waterloo | 519.0 | 68,406 | 7.59 |
| Fort Dodge | 185.0 | 25,206 | 7.34 |
| Council Bluffs | 447.0 | 62,230 | 7.18 |
| Bettendorf | 230.0 | 33,217 | 6.92 |
| W. Des Moines | 385.0 | 56,609 | 6.80 |
| Clinton | 176.0 | 26,885 | 6.55 |
| Marshalltown | 168.0 | 27,552 | 6.10 |
| Cedar Falls | 208.0 | 39,260 | 5.30 |
| Marion | 163.0 | 34,768 | 4.69 |
| Urbandale | 176.0 | 39,463 | 4.46 |
| Ankeny | 200.0 | 45,582 | 4.39 |
| Average: | | | 7.27 |

Cedar Falls city government continued to have one of the lowest number of employees per 1,000 capita comparing the top 20 largest cities.

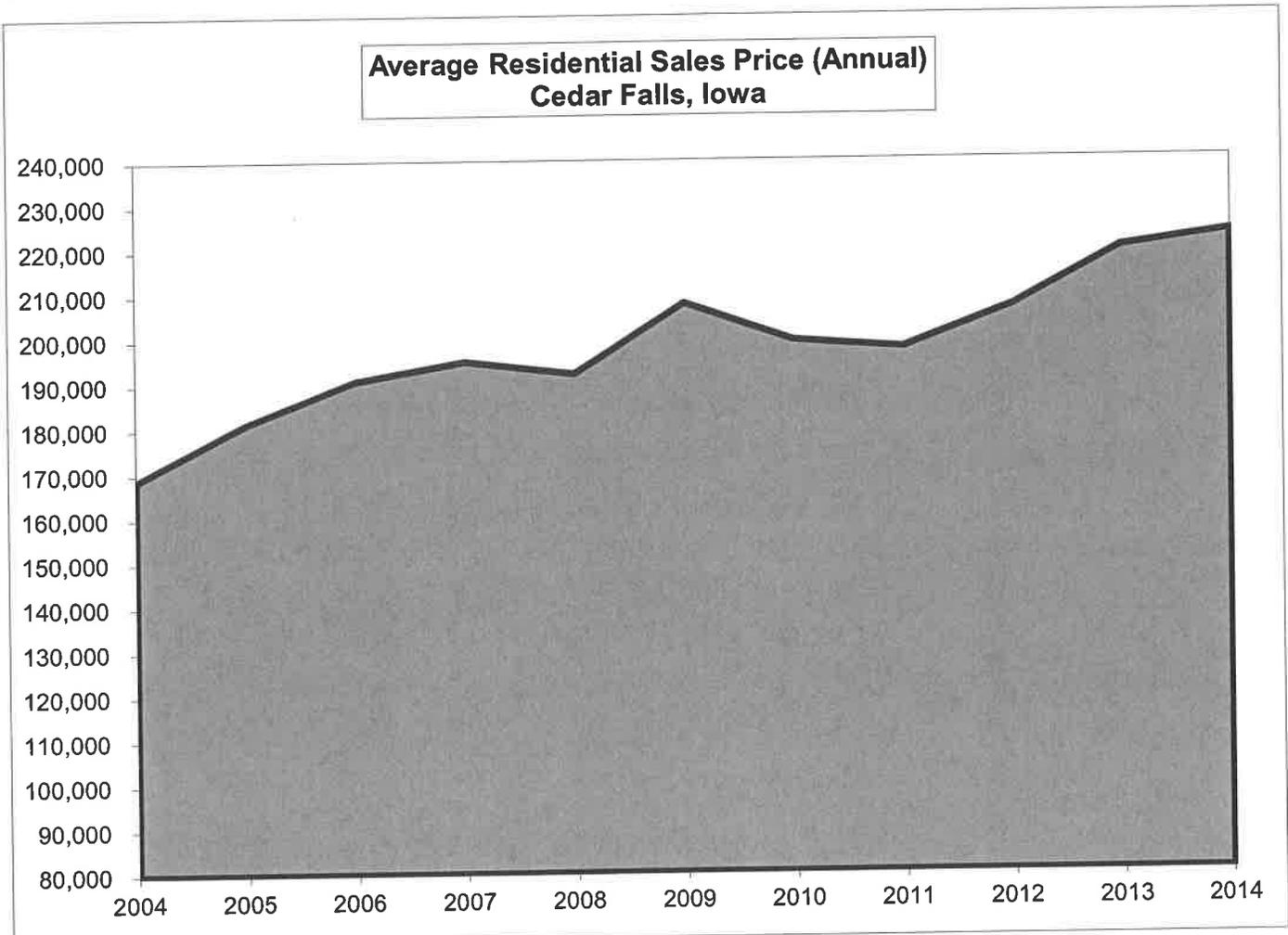
Cedar Falls has 1.97 employees per 1,000 capita less than the state average, which is equivalent to 77 fewer full-time employees.

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

Among the top twenty largest cities in the State of Iowa, the City of Cedar Falls continues to have one of the lowest number of employees per capita. The pressures of new construction growth, road development, and societal values have placed greater demands on existing staff. In the near future, the City Council will need to prioritize services or focus on key services to address the over extension of City staff.

ATTACHMENT D

Resale16



| Year | Average Sales Price |
|---------|---------------------|
| 2004 | 168,589 |
| 2005 | 181,310 |
| 2006 | 190,828 |
| 2007 | 195,080 |
| 2008 | 192,154 |
| 2009 | 207,754 |
| 2010 | 199,318 |
| 2011 | 197,576 |
| 2012 | 206,773 |
| 2013 | 219,746 |
| 2014 | 223,093 |
| Average | 198,384 |

The average sale price of residential properties in Cedar Falls has grown by 32% between 2004- 2014 from \$168,589 to \$223,093



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

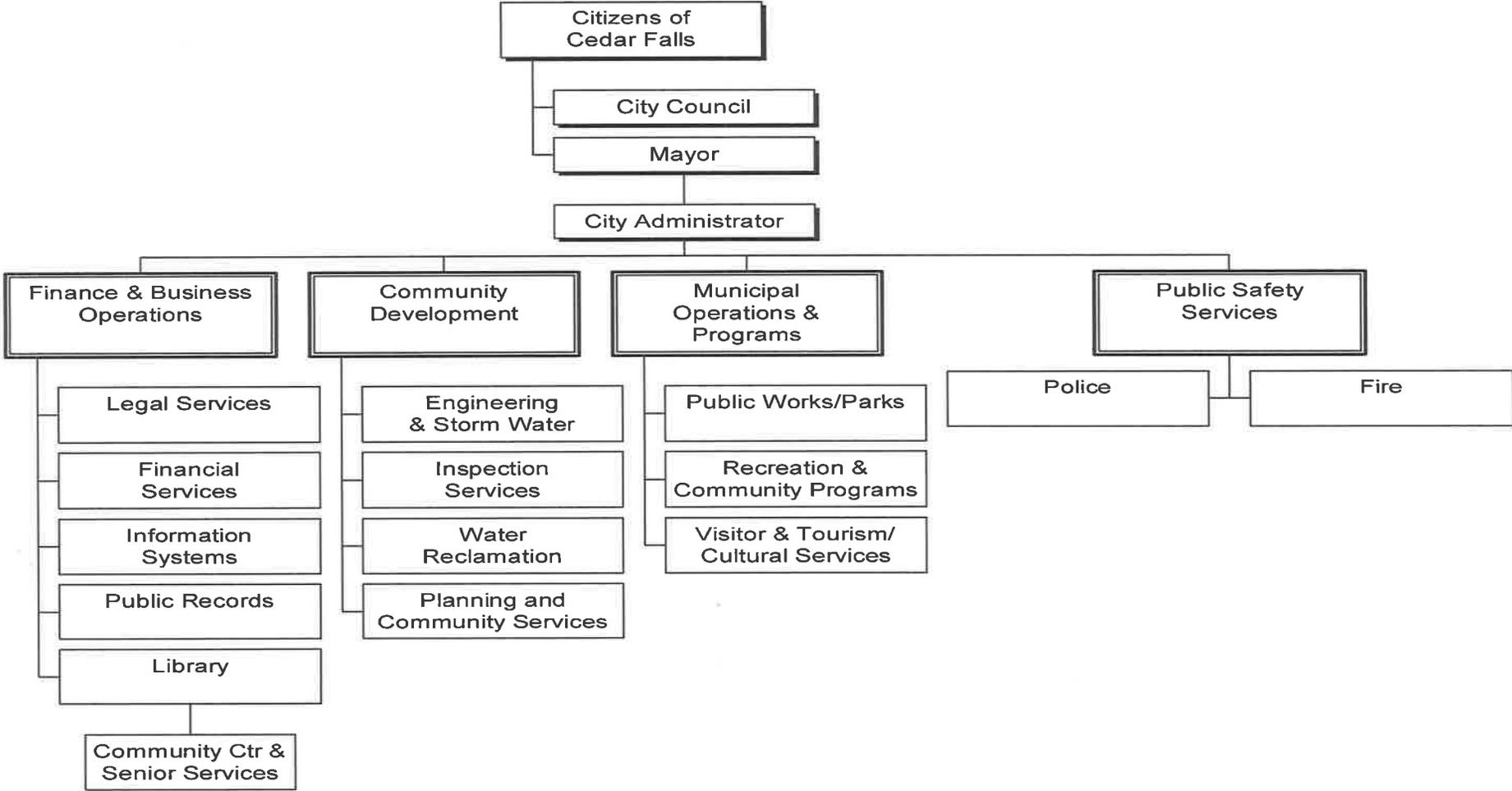
**City of Cedar Falls
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

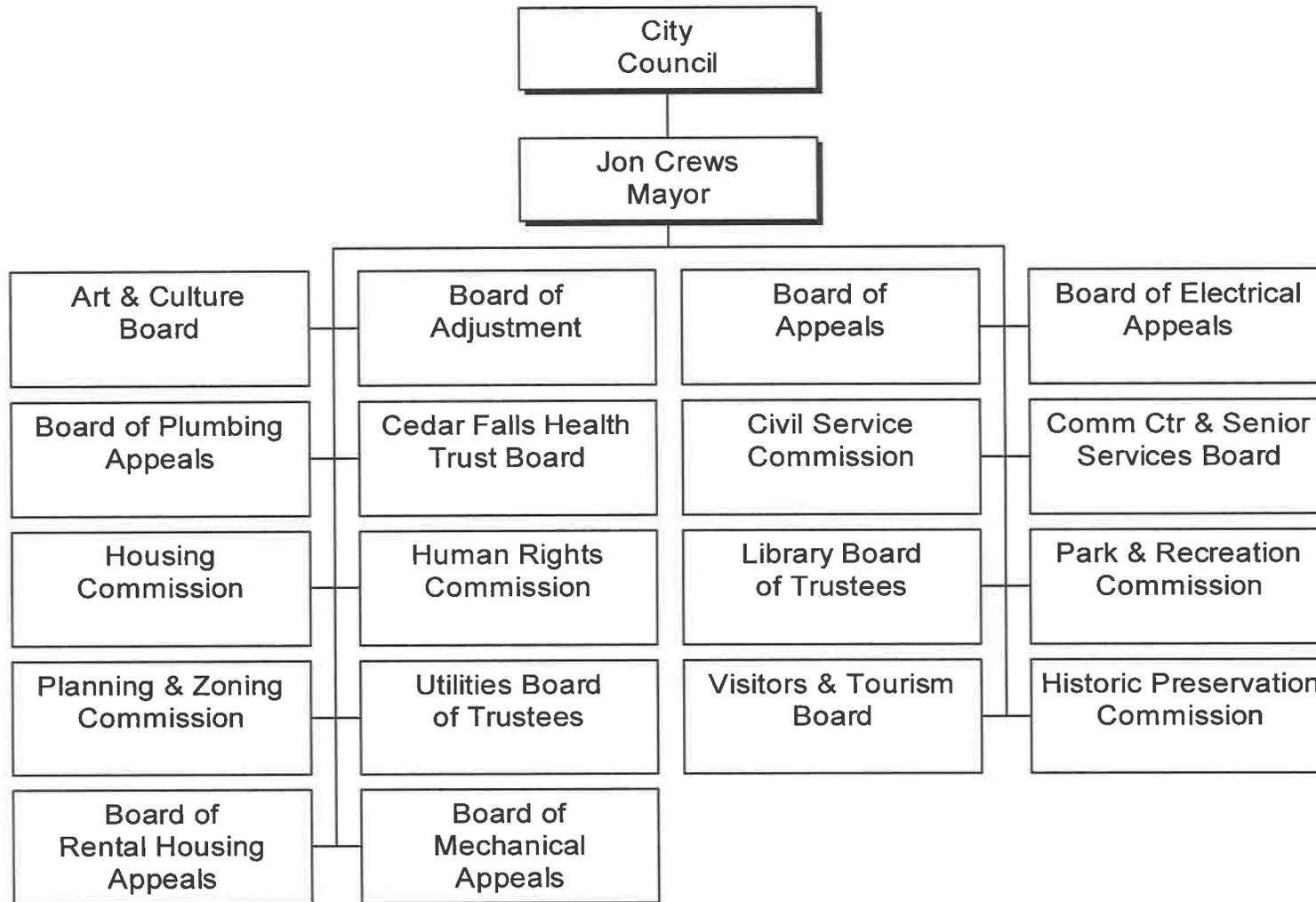
June 30, 2014

Executive Director/CEO

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



City of Cedar Falls, Iowa Boards and Commissions



CITY OF CEDAR FALLS, IOWA

PRINCIPAL OFFICIALS

June 30, 2015

| Title | Name |
|---|-----------------------|
| Mayor | Jon Crews |
| Council Member – 1 st Ward | Mark Miller |
| Council Member – 2 nd Ward | Susan DeBuhr |
| Council Member – 3 rd Ward | John Runchey |
| Council Member – 4 th Ward | Jim Stichter |
| Council Member – 5 th Ward | Frank Darrah |
| Council Member – At Large | Nick Taiber |
| Council Member – At Large | Dave Wieland |
| City Administrator | Richard L. McAlister |
| Finance & Business Operations Director | Jennifer Rodenbeck |
| Community Development Director | Ron Gaines |
| Municipal Operations & Programs Director | Mark Ripplinger |
| Public Safety Services Director | Jeff Olson |
| Assistant Public Safety Services/Fire Chief | John Schilling |
| City Attorney | Steve Moore |
| Controller/City Treasurer | Lisa Roeding |
| City Clerk | Jacque Danielsen |
| Information Systems Manager | Laurene Saathoff |
| City Engineer | Randall Lorenzen |
| Planning & Community Service Manager | Stephanie Houk Sheetz |
| Inspection Services Manager | Craig Witry |
| Recreation & Community Programs Manager | Bruce Verink |
| V&T/Cultural Programs Manager | Kimberly Manning |
| Cedar Falls Public Library Director | Sheryl McGovern |
| Public Works/Parks 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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 position, 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Falls, Iowa, as of June 30, 2015, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 3 to the financial statements, the City of Cedar Falls, Iowa, has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedar Falls, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, under separate cover, dated October 21, 2015, on our consideration of the City of Cedar Falls, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cedar Falls, Iowa's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
October 21, 2015

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, 2015. Please read it in conjunction with the transmittal letter found on pages 1 – 10 of this report.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 49.35%, or \$22,995,057, from fiscal year 2014 to fiscal year 2015. Property taxes increased \$3,848,170 for all activities.
- Program expenses of the City's Governmental activities increased 2.30%, or \$889,878 in fiscal year 2015 from fiscal year 2014. Community and Economic Development expenses increased by \$527,495.
- The City's net position, as restated increased 10.31%, or \$31,190,286, from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities increased by \$29,656,596 and the net position of the business-type activities increased by \$1,533,690.

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 Position 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, the City's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- 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 Position 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 Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 31 - 34 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 Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The City maintains 22 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, Debt Service Fund, Street Improvement Fund, Capital Improvements Fund, and Bond Fund, all of which are considered to be major funds. Data from the other fourteen 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 35 - 39 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 40 - 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------|-------------------------|----------------------|--------------------------|----------------------|----------------|----------------------|
| | 2015 | 2014 Not Restated | 2015 | 2014 Not Restated | 2015 | 2014 Not Restated |
| Current and | | | | | | |
| other assets | \$ 143,119,256 | \$ 114,207,169 | \$ (3,790,458) | \$ (3,036,860) | \$ 139,328,798 | \$ 111,170,309 |
| Capital assets | 170,239,635 | 168,229,218 | 87,564,164 | 86,522,469 | 257,803,799 | 254,751,687 |
| Total assets | \$ 313,358,891 | \$ 282,436,387 | \$ 83,773,706 | \$ 83,485,609 | \$ 397,132,597 | \$ 365,921,996 |
| Deferred Outflows | | | | | | |
| of Resources | \$ 2,906,624 | \$ -- | \$ 219,539 | \$ -- | \$ 3,126,163 | \$ -- |
| Long-term liabilities | \$ 18,665,690 | \$ 8,846,150 | \$ 9,743,056 | \$ 9,563,802 | \$ 28,408,746 | \$ 18,409,952 |
| Other liabilities | 7,022,585 | 3,399,509 | 423,366 | 664,101 | 7,445,951 | 4,063,610 |
| Total liabilities | \$ 25,688,275 | \$ 12,245,659 | \$ 10,166,422 | \$ 10,227,903 | \$ 35,854,697 | \$ 22,473,562 |
| Deferred Inflows of | | | | | | |
| Resources | \$ 30,302,175 | \$ 25,252,552 | \$ 473,028 | \$ -- | \$ 30,775,203 | \$ 25,252,552 |
| Net assets: | | | | | | |
| Net investment | | | | | | |
| in capital assets | \$ 165,448,958 | \$ 162,409,906 | \$ 79,444,948 | \$ 77,467,033 | \$ 244,893,906 | \$ 239,876,939 |
| Restricted | 28,349,177 | 25,300,988 | 9,500 | 9,500 | 28,358,677 | 25,310,488 |
| Unrestricted | 66,476,930 | 57,227,282 | (6,100,653) | (4,218,827) | 60,376,277 | 53,008,455 |
| Total net position | \$ 260,275,065 | \$ 244,938,176 | \$ 73,353,795 | \$ 73,257,706 | \$ 333,628,860 | \$ 318,195,882 |

Net position, as restated, of governmental activities increased from FY14 by approximately \$29.7 million, or 12.86%. This increase was due primarily to the \$20 million received from the State of Iowa for the transfer of jurisdiction for University Avenue. The increase is also due to the continued strength of the property tax base and the small amount of general obligation debt outstanding by the City. Net position, as restated, of business-type activities increased from FY14 by approximately \$1.5 million or 2.14%. This increase was due to the new assets constructed or being constructed. These assets include the dry creek sanitary sewer project and the Park Drive liftstation. In addition, this was the ninth year that storm water fees were collected. The largest portion of the City's net position is the net investment in capital assets (e.g., land, infrastructure, buildings, and equipment). The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations are approximately \$60 million at the end of the year.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position for governmental activities and business-type activities were restated \$14,319,707 and \$1,437,601, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

For the year ended June 30, 2015, net position changed as follows:

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014 Not Restated | 2015 | 2014 Not Restated | 2015 | 2014 Not Restated |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 4,589,101 | \$ 5,132,724 | \$ 8,752,916 | \$ 8,807,215 | \$ 13,342,017 | \$ 13,939,939 |
| Operating grants and contributions | 1,502,835 | 1,818,312 | - | - | 1,502,835 | 1,818,312 |
| Capital grants and contributions | 1,628,293 | 3,576,733 | 731,471 | 689,285 | 2,359,764 | 4,266,018 |
| General Revenues | | | | | | |
| Property taxes | 25,096,699 | 21,248,529 | - | - | 25,096,699 | 21,248,529 |
| Local Option Sales Tax | 4,947,250 | 5,040,056 | - | - | 4,947,250 | 5,040,056 |
| Hotel/Motel Tax & Other | 988,425 | 996,835 | - | - | 988,425 | 996,835 |
| Use of money and property | 1,187,617 | 1,120,041 | 50,802 | 44,547 | 1,238,419 | 1,164,588 |
| Intergovernmental | 25,400,155 | 4,545,694 | 88,596 | 94,186 | 25,488,751 | 4,639,880 |
| Miscellaneous | 844,766 | 1,389,109 | - | - | 844,766 | 1,389,109 |
| Gain on Sale of assets | -- | -- | - | - | - | - |
| Utility contribution | 3,402,949 | 1,725,000 | - | - | 3,402,949 | 1,725,000 |
| Total revenues | \$ 69,588,090 | \$ 46,593,033 | \$ 9,623,785 | \$ 9,635,233 | \$ 79,211,875 | \$ 56,228,266 |
| Expenses | | | | | | |
| Public safety | \$ 9,285,835 | \$ 9,293,710 | \$ - | \$ - | \$ 9,285,835 | \$ 9,293,710 |
| Public works | 12,301,197 | 12,086,420 | - | - | 12,301,197 | 12,086,420 |
| Health and social services | 279,734 | 166,764 | - | - | 279,734 | 166,764 |
| Culture and recreation | 7,560,018 | 7,135,841 | - | - | 7,560,018 | 7,135,841 |
| Community and economic development | 5,661,653 | 5,134,158 | - | - | 5,661,653 | 5,134,158 |
| General government | 4,319,945 | 4,684,649 | - | - | 4,319,945 | 4,684,649 |
| Debt service | 166,377 | 183,339 | - | - | 166,377 | 183,339 |
| Sewer | - | - | 4,702,339 | 3,971,854 | 4,702,339 | 3,971,854 |
| Refuse | - | - | 2,744,057 | 2,960,082 | 2,744,057 | 2,960,082 |
| Storm Water | - | - | 1,000,434 | 835,029 | 1,000,434 | 835,029 |
| Total expenses | \$ 39,574,759 | \$ 38,684,881 | \$ 8,446,830 | \$ 7,766,965 | \$ 48,021,589 | \$ 46,451,846 |
| Increase in net position | | | | | | |
| before transfers | \$ 30,013,331 | \$ 7,908,152 | \$ 1,176,955 | \$ 1,868,268 | \$ 31,190,286 | \$ 9,776,420 |
| Transfers | (356,735) | 2,676,469 | 356,735 | (2,676,469) | - | - |
| Increase in net position | \$ 29,656,596 | \$ 10,584,621 | \$ 1,533,690 | \$ (808,201) | \$ 31,190,286 | \$ 9,776,420 |
| Net position, beg. restated | 230,618,469 | 234,353,555 | 71,820,105 | 74,065,907 | 302,438,574 | 308,419,462 |
| Net position, ending | \$ 260,275,065 | \$ 244,938,176 | \$ 73,353,795 | \$ 73,257,706 | \$ 333,628,860 | \$ 318,195,882 |

Property taxes increased by approximately \$3.8 million from FY14 due to the release of TIF increment in FY14. Transfer of jurisdiction funds for University Avenue received in FY15, caused intergovernmental revenue to increase from FY14.

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 \$92,920,754. \$746,438 is nonspendable for inventory and note receivable. \$28,101,815 is restricted for TIF, debt service, road use tax funds, local option sales tax, employee retirement systems, bond proceeds and various grants. \$17,408,842 is committed for the City’s health trust fund and parking fund. \$44,350,169 is assigned for recreational capital funds, police forfeiture funds, economic development and capital improvements. This leaves \$2,313,490 for unassigned fund balances in the governmental funds.

The Governmental fund balances increased by \$25,523,476, or 37.87%. This increase was primarily due to the new Street Improvement Fund, which is comprised of the \$20 million received from the State of Iowa.

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 \$7,603,109, while the total fund balance totaled \$10,064,593. 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 36.50% of the total General Fund expenditures, while the total fund balance represents 48.31% of that same amount.

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

| | FY15 Amount | FY14 Amount | Increase (Decrease) |
|---------------------------|----------------|----------------|------------------------|
| Hospital Fund | \$ 16,545,489 | \$ 16,197,037 | \$ 348,452 |
| TIF Fund | 55,024 | 5,679 | 49,345 |
| Street Repair Fund | 13,665,801 | 13,716,109 | (50,308) |
| Debt Service Fund | 431,704 | 416,912 | 14,792 |
| Street Improvement Fund | 18,651,413 | -- | 18,651,413 |
| Capital Improvements Fund | 14,441,680 | 11,435,943 | 3,005,737 |
| Bond Fund | (5,282,432) | (5,563,995) | 281,563 |
| Other Governmental Funds | 24,347,482 | 21,455,804 | 2,891,678 |

The Street Improvement Fund had the largest increase in fund balance due to the \$20 million received from the State of Iowa for the transfer of jurisdiction for University Avenue.

The Capital Improvements Fund had an increase in fund balance due to the transfer in from other funds and Cedar Falls Utilities for future capital projects.

The Hospital Fund had an increase in fund balance due to the repayment of internal financing by the Sewer Fund.

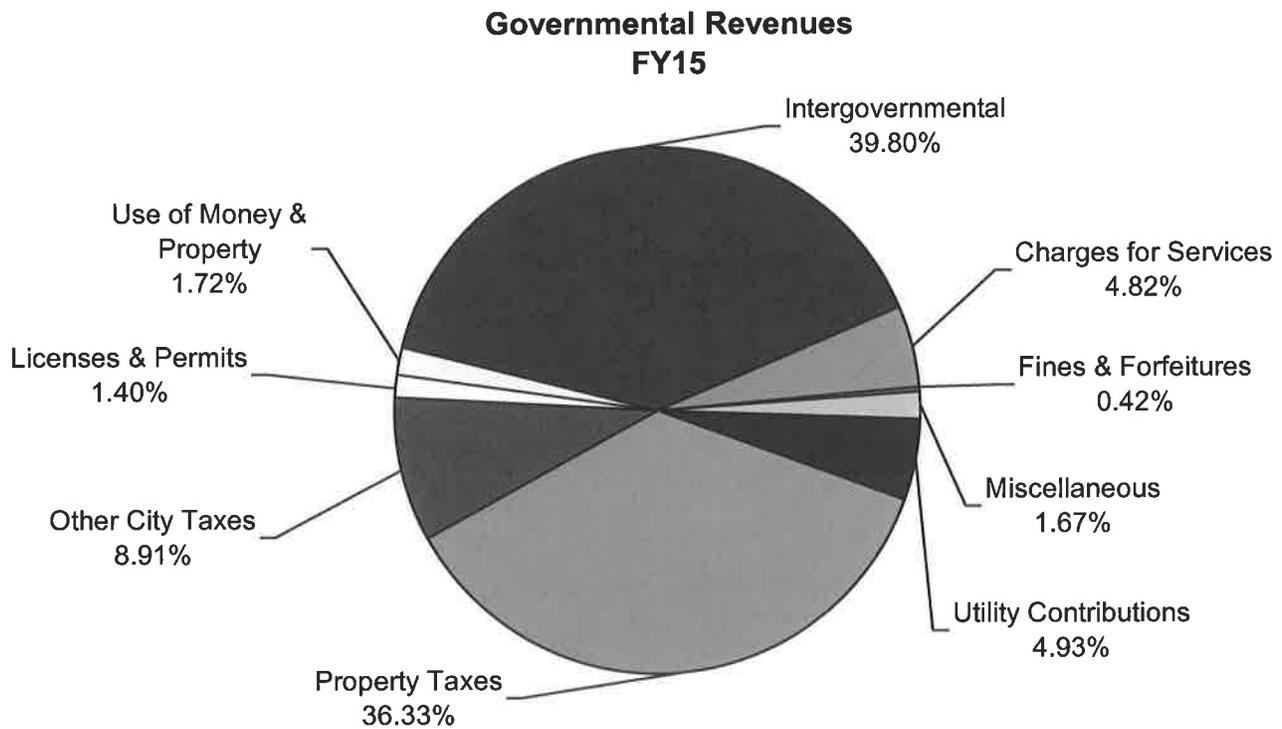
The Bond Fund had an increase in fund balance due to grant reimbursements received on various projects.

The Other Governmental Funds had an increase in fund balance due to the increase in the Street Construction Fund. This increase was the result of increased road use tax funds from the State of Iowa.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2015 and June 30, 2014.

| Revenues | FY15 Amount | Percent of Total | FY14 Amount | Increase (Decrease) from FY14 | Percent of Increase (Decrease) |
|---------------------------------------|----------------------|------------------|----------------------|-------------------------------|--------------------------------|
| Property taxes and assessments | \$ 25,099,620 | 36.33 % | \$ 21,244,190 | \$ 3,855,430 | 16.21 % |
| Other city taxes | 6,156,049 | 8.91 | 5,995,505 | 160,544 | 0.68 |
| Licenses and permits | 967,488 | 1.40 | 1,197,723 | (230,235) | (0.97) |
| Use of money and property | 1,187,617 | 1.72 | 1,120,040 | 67,577 | 0.28 |
| Intergovernmental | 27,494,197 | 39.80 | 8,688,760 | 18,805,437 | 79.09 |
| Charges for services | 3,329,061 | 4.82 | 3,542,072 | (213,011) | (0.90) |
| Fines and forfeitures | 292,551 | 0.42 | 392,928 | (100,377) | (0.42) |
| Miscellaneous | 1,154,586 | 1.67 | 1,400,551 | (245,965) | (1.03) |
| Utility contribution in lieu of taxes | 3,402,949 | 4.93 | 1,725,000 | 1,677,949 | 7.06 |
| | <u>\$ 69,084,118</u> | <u>100.00 %</u> | <u>\$ 45,306,769</u> | <u>\$ 23,777,349</u> | <u>100.00 %</u> |

The most significant increase in revenues was in intergovernmental. The increase was due to the transfer jurisdiction funds received in FY15. The other significant increase was in property taxes. The increase was due to the release of the TIF increment in FY14.



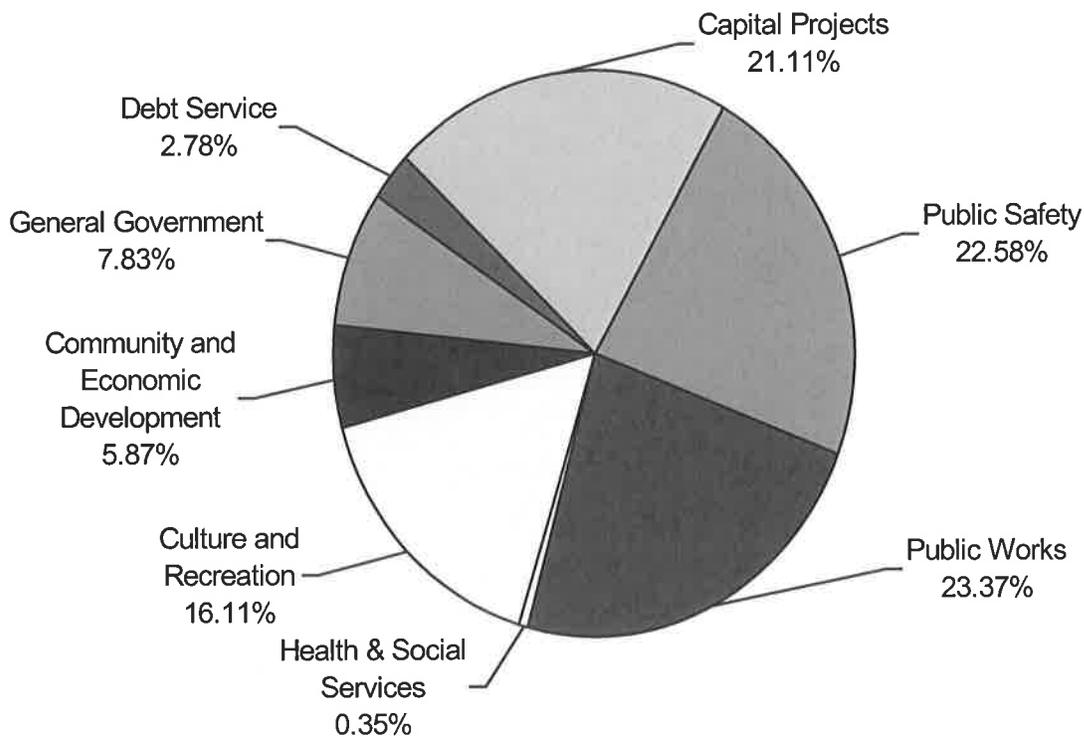
The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2015 and June 30, 2014.

| Expenditures | FY15 Amount | Percent of Total | FY14 Amount | Increase (Decrease) from FY14 | Percent of Increase (Decrease) |
|---------------------------------------|----------------------|------------------------|----------------------|-------------------------------------|--------------------------------------|
| Public Safety | \$ 9,736,872 | 22.58 % | \$ 9,188,529 | \$ 548,343 | 26.56 % |
| Public Works | 10,078,273 | 23.37 | 9,325,749 | 752,524 | 36.43 |
| Health & Social Services | 150,853 | 0.35 | 18,184 | 132,669 | 6.42 |
| Culture & Recreation | 6,949,450 | 16.11 | 6,130,462 | 818,988 | 39.65 |
| Cummunity and Economic Development | 2,529,858 | 5.87 | 2,351,253 | 178,605 | 8.65 |
| General Government | 3,376,609 | 7.83 | 4,592,138 | (1,215,529) | (58.85) |
| Debt Service | 1,196,875 | 2.78 | 2,991,208 | (1,794,333) | (86.88) |
| Capital Projects | 9,106,571 | 21.11 | 10,593,247 | (1,486,676) | (71.98) |
| | <u>\$ 43,125,361</u> | <u>100.00 %</u> | <u>\$ 45,190,770</u> | <u>\$ (2,065,409)</u> | <u>100.00 %</u> |

The most significant increase in expenditures occurred in the culture and recreation function. This was due to various projects occurring during FY15, including the Rec Center remodel.

The most significant decrease in expenditures occurred in debt service. This City currently has very few debt issuances outstanding.

Governmental Expenditures FY15



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.

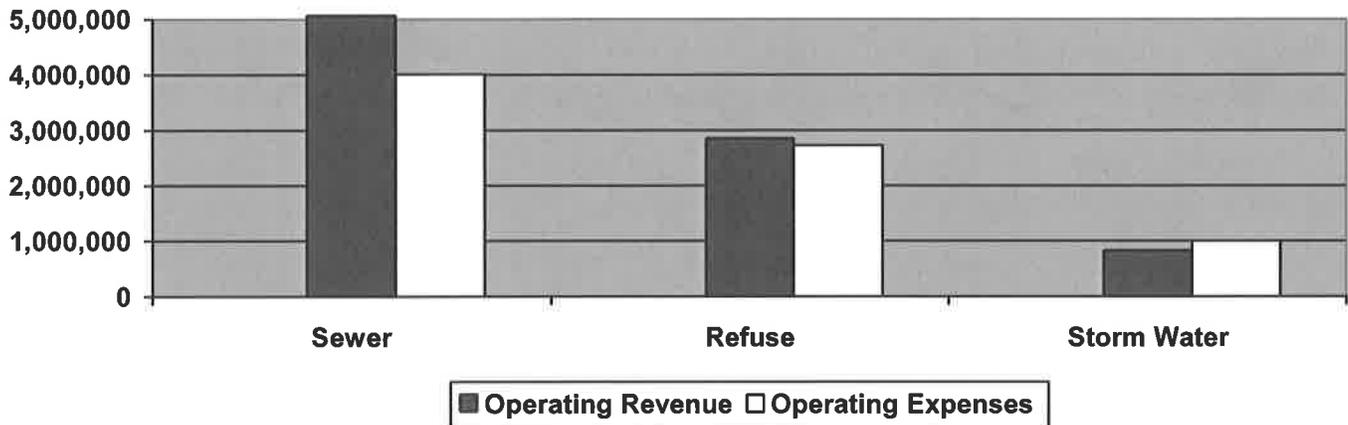
Net position of the Sewer, Refuse and Storm Water funds at the end of the year amounted to \$73,353,795. There are net position in the Governmental Activities Internal Service fund of \$14,869,105.

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, 2015 and June 30, 2014 are as follows:

| | Sewer | | Refuse | | Storm Water | |
|--------------------------|--------------|--------------|--------------|--------------|-------------|------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Operating Revenues | \$ 5,067,148 | \$ 4,837,116 | \$ 2,855,267 | \$ 3,139,016 | \$ 830,501 | \$ 831,083 |
| Operating Expenses | 4,009,756 | 3,380,141 | 2,726,912 | 2,960,082 | 1,000,434 | 835,029 |
| Non-Operating Rev (Exp) | (667,585) | (569,773) | 19,711 | 31,363 | 77,544 | 85,430 |
| Capital Contributions | 348,788 | 397,688 | - | - | 382,683 | 291,597 |
| Operating Transfers, net | 326,847 | (2,816,829) | 94,007 | 152,490 | (64,119) | (12,130) |
| Change in Net Position | 1,065,442 | (1,531,939) | 242,073 | 362,787 | 226,175 | 360,951 |

**Proprietary Fund Operating Revenues & Expenses
FY15**



BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget one time. This amendment was done in March 2015. The amendment, was needed due to several large projects under construction. 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, 2015, the City had approximately \$258 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 \$3 million or 1.18% over last year.

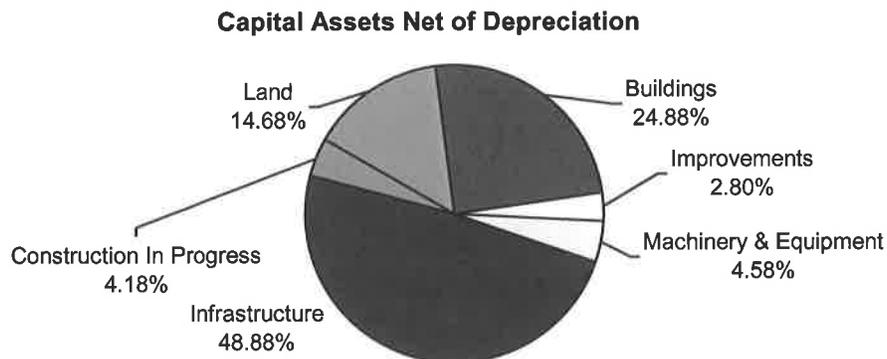
City of Cedar Falls Capital Assets (net of depreciation)

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 36,225,418 | \$ 35,640,130 | \$ 1,612,581 | \$ 1,612,581 | \$ 37,837,999 | \$ 37,252,711 |
| Buildings | 16,388,973 | 17,941,937 | 47,761,153 | 48,127,933 | 64,150,126 | 66,069,870 |
| Improvements other than buildings | 7,221,291 | 7,691,423 | - | - | 7,221,291 | 7,691,423 |
| Machinery and equipment | 6,582,958 | 6,930,584 | 5,213,749 | 5,172,799 | 11,796,707 | 12,103,383 |
| Infrastructure | 94,815,249 | 94,331,154 | 31,213,174 | 31,023,077 | 126,028,423 | 125,354,231 |
| Construction in progress | 9,005,746 | 5,693,990 | 1,763,507 | 586,079 | 10,769,253 | 6,280,069 |
| Total | \$ 170,239,635 | \$ 168,229,218 | \$ 87,564,164 | \$ 86,522,469 | \$ 257,803,799 | \$ 254,751,687 |

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

- W. Viking Rd. Industrial Park – Phase IV
- Recycling Center
- Union Rd. Trail

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 \$12,977,000 in outstanding debt compared to \$14,944,000 last year. That is an decrease of \$1,967,000 or 13.16%.

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

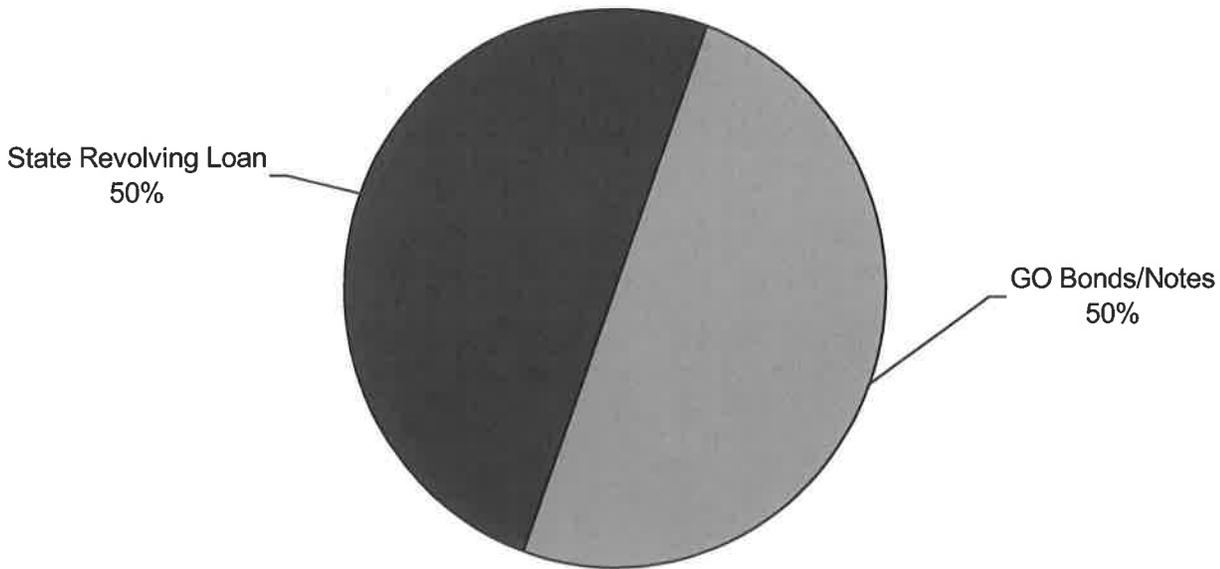
| | Governmental activities | | Business-type activities | | Total | |
|----------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General obligation | | | | | | |
| bonds/notes | \$ 4,835,000 | \$ 5,875,000 | \$ 1,660,000 | \$ 2,325,000 | \$ 6,495,000 | \$ 8,200,000 |
| State Revolving Loan | -- | -- | 6,482,000 | 6,744,000 | 6,482,000 | 6,744,000 |
| Total | \$ 4,835,000 | \$ 5,875,000 | \$ 8,142,000 | \$ 9,069,000 | \$ 12,977,000 | \$ 14,944,000 |

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, 2015, the City's legal debt margin was \$131,816,122.

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
FY15**



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the state legislative session in 2014, the legislature reduced the taxable valuation of commercial property and created a new class of property for multi-residential. This could greatly affect the City's general operating fund.

Even with the State reductions, the City Council did establish a balanced budget in the General Fund for FY16. The tax levy rate per \$1,000 of taxable valuation for FY16 is provided below:

| | |
|---------------------------|------------|
| General levy | \$ 8.10 |
| Trust and Agency levy | 1.94 |
| Debt Service levy | .59 |
| Transit levy | .24 |
| Library levy | .27 |
| Liability Insurance levy | .11 |
| Emergency Management levy | .26 |
| Municipal Band levy | <u>.02</u> |
| Total levy | \$ 11.53 |

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 Finance and Business Operations, 220 Clay Street, Cedar Falls, Iowa 50613.

City of Cedar Falls, Iowa
Statement of Net Position
June 30, 2015

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash | \$ 94,203,544 | \$ 9,729,739 | \$ 103,933,283 |
| Certificates of deposit | -- | -- | -- |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Property taxes | 25,422,596 | -- | 25,422,596 |
| Other city taxes | 1,055,868 | -- | 1,055,868 |
| Accrued interest | 78,196 | 9,952 | 88,148 |
| Special assessments | 43,055 | -- | 43,055 |
| Notes from associated company | -- | -- | -- |
| Customers | -- | -- | -- |
| Human & leisure services contributions | 4,144,775 | -- | 4,144,775 |
| Other | 1,000,213 | 1,281,337 | 2,281,550 |
| Due from component unit | 917,500 | -- | 917,500 |
| Internal balances | 14,950,000 | (14,950,000) | -- |
| Due from other governments | 611,891 | 49,711 | 661,602 |
| Inventories | 691,618 | 88,803 | 780,421 |
| Prepays and other assets | -- | -- | -- |
| Restricted assets: | | | |
| Cash | -- | -- | -- |
| Certificates of deposit | -- | -- | -- |
| Capital assets: | | | |
| Land | 36,225,418 | 1,612,581 | 37,837,999 |
| Land improvements | 13,175,353 | -- | 13,175,353 |
| Buildings | 26,157,453 | 55,333,594 | 81,491,047 |
| Machinery and equipment | 18,053,074 | 8,431,633 | 26,484,707 |
| Infrastructure | 178,872,763 | 48,225,483 | 227,098,246 |
| Construction in progress | 9,005,746 | 1,763,507 | 10,769,253 |
| Accumulated depreciation | (111,250,172) | (27,802,634) | (139,052,806) |
| Total assets | <u>\$ 313,358,891</u> | <u>\$ 83,773,706</u> | <u>\$ 397,132,597</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | 2,906,624 | 219,539 | 3,126,163 |
| Total deferred outflows of resources | <u>\$ 2,906,624</u> | <u>\$ 219,539</u> | <u>\$ 3,126,163</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 5,775,600 | \$ 305,326 | \$ 6,080,926 |
| Accrued liabilities | 1,246,985 | 118,040 | 1,365,025 |
| Due to primary government | -- | -- | -- |
| Note payable to associated company | -- | -- | -- |
| Long-term liabilities: | | | |
| Portion due or payable within one year: | | | |
| Bonds payable | 1,070,000 | 946,000 | 2,016,000 |
| Compensated absences | 915,868 | 158,125 | 1,073,993 |
| Portion due or payable after one year: | | | |
| Bonds payable | 3,720,677 | 7,186,539 | 10,907,216 |
| Compensated absences | 1,733,938 | 358,917 | 2,092,855 |
| Net OPEB liability | 218,126 | -- | 218,126 |
| Net pension liability | 11,007,081 | 1,093,475 | 12,100,556 |
| Total liabilities | <u>\$ 25,688,275</u> | <u>\$ 10,166,422</u> | <u>\$ 35,854,697</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Succeeding year property taxes | \$ 25,268,866 | \$ -- | \$ 25,268,866 |
| Pension related deferred inflows | 5,033,309 | 473,028 | 5,506,337 |
| Total deferred inflows of resources | <u>\$ 30,302,175</u> | <u>\$ 473,028</u> | <u>\$ 30,775,203</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 165,448,958 | \$ 79,444,948 | \$ 244,893,906 |
| Restricted: | | | |
| Streets | 20,453,313 | -- | 20,453,313 |
| Debt service | 431,704 | -- | 431,704 |
| Employee retirement system | 5,606,875 | -- | 5,606,875 |
| TIF | 55,023 | -- | 55,023 |
| Other | 1,802,262 | 9,500 | 1,811,762 |
| Unrestricted | 66,476,930 | (6,100,653) | 60,376,277 |
| Total net position | <u>\$ 260,275,065</u> | <u>\$ 73,353,795</u> | <u>\$ 333,628,860</u> |

See notes to financial statements

| Component Units | | | |
|-----------------------|----------------------|----------------------|---------------------------|
| Electric Utility | Gas Utility | Water Utility | Communications Utility |
| \$ 36,864,207 | \$ 9,016,612 | \$ 4,576,832 | \$ 3,203,867 |
| 2,500,000 | -- | -- | -- |
| -- | -- | -- | -- |
| 18,221 | 3,011 | 12 | 2,470 |
| -- | -- | -- | -- |
| 368,090 | 1,800,000 | -- | -- |
| 5,016,580 | 2,468,943 | 459,472 | 1,864,322 |
| -- | -- | -- | -- |
| 21,474,063 | 1,684,084 | 337,229 | 315,444 |
| -- | -- | -- | -- |
| 3,920,507 | 91,610 | 45,518 | 122,645 |
| 6,021,832 | 206,242 | 118,497 | 768,692 |
| 696,032 | 101,953 | 39,080 | 129,563 |
| 1,945,555 | 193,663 | 100,179 | 267,102 |
| 6,090,000 | -- | -- | 1,541,000 |
| 1,373,577 | 25,867 | 63,466 | 2,177 |
| 4,683 | -- | -- | -- |
| 32,171,754 | 3,196,800 | 2,000,283 | -- |
| 20,432,498 | 651,424 | 1,338,936 | 17,421,166 |
| 171,616,108 | 20,511,245 | 29,142,140 | 16,809,957 |
| 10,205,174 | 89,592 | 111,014 | 550,835 |
| (80,133,418) | (11,038,870) | (10,145,018) | (8,229,817) |
| <u>\$ 240,585,463</u> | <u>\$ 29,002,176</u> | <u>\$ 28,187,640</u> | <u>\$ 34,769,423</u> |
| -- | -- | -- | -- |
| \$ -- | \$ -- | \$ -- | \$ -- |
| \$ 5,532,451 | \$ 1,359,964 | \$ 230,238 | \$ 672,979 |
| 22,904,871 | 1,243,716 | 475,215 | 584,460 |
| 3,134,241 | -- | -- | -- |
| -- | -- | -- | 2,168,090 |
| 3,390,000 | -- | -- | 1,630,000 |
| -- | -- | -- | -- |
| 42,830,805 | -- | -- | 10,883,772 |
| 792,422 | 138,360 | 100,624 | 226,407 |
| 752,573 | 136,347 | 100,679 | 39,330 |
| -- | -- | -- | -- |
| <u>\$ 79,337,363</u> | <u>\$ 2,878,387</u> | <u>\$ 906,756</u> | <u>\$ 16,205,038</u> |
| \$ -- | \$ -- | \$ -- | \$ -- |
| \$ -- | \$ -- | \$ -- | \$ -- |
| \$ -- | \$ -- | \$ -- | \$ -- |
| \$ 109,715,942 | \$ 13,436,058 | \$ 22,510,821 | \$ 11,872,456 |
| -- | -- | -- | -- |
| 7,031,590 | -- | -- | 1,748,349 |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| 44,500,568 | 12,687,731 | 4,770,063 | 4,943,580 |
| <u>\$ 161,248,100</u> | <u>\$ 26,123,789</u> | <u>\$ 27,280,884</u> | <u>\$ 18,564,385</u> |

City of Cedar Falls, Iowa
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 9,285,835 | \$ 640,025 | \$ 18,579 | \$ -- |
| Public works | 12,301,197 | 174,750 | -- | 1,628,293 |
| Health and social services | 279,734 | -- | -- | -- |
| Culture and recreation | 7,560,018 | 2,226,514 | 124,548 | -- |
| Community and economic development | 5,661,653 | -- | 1,358,082 | -- |
| General government | 4,319,945 | 1,547,812 | 1,626 | -- |
| Interest on long-term debt and related fees | 166,377 | -- | -- | -- |
| Total governmental activities | <u>\$ 39,574,759</u> | <u>\$ 4,589,101</u> | <u>\$ 1,502,835</u> | <u>\$ 1,628,293</u> |
| Business-type activities: | | | | |
| Sewer | \$ 4,702,339 | \$ 5,067,148 | \$ -- | \$ 348,788 |
| Refuse | 2,744,057 | 2,855,267 | -- | -- |
| Storm Water | 1,000,434 | 830,501 | -- | 382,683 |
| Total business-type activities | <u>\$ 8,446,830</u> | <u>\$ 8,752,916</u> | <u>\$ --</u> | <u>\$ 731,471</u> |
| Total primary government | <u>\$ 48,021,589</u> | <u>\$ 13,342,017</u> | <u>\$ 1,502,835</u> | <u>\$ 2,359,764</u> |
| Component units | | | | |
| Electric Utility | \$ 55,188,829 | \$ 64,236,268 | \$ -- | \$ 5,683,978 |
| Gas Utility | 16,841,826 | 18,164,305 | -- | -- |
| Water Utility | 3,493,550 | 4,240,096 | -- | 607,180 |
| Communications Utility | 14,135,474 | 17,215,496 | -- | 60,857 |
| Total component units | <u>\$ 89,659,679</u> | <u>\$ 103,856,165</u> | <u>\$ --</u> | <u>\$ 6,352,015</u> |

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
- Utility contribution in lieu of taxes

Transfers

- Total general revenues and transfers
- Change in net position
- Net position - beginning restated
- Net position - ending

See notes to financial statements

Net (Expense) Revenue and Changes in net position

| Primary Government | | | Component Units | | | |
|-------------------------|--------------------------|------------------------|-----------------------|----------------------|----------------------|------------------------|
| Governmental Activities | Business-type Activities | Total | Electric Utility | Gas Utility | Water Utility | Communications Utility |
| \$ (8,627,231) | \$ -- | \$ (8,627,231) | \$ -- | \$ -- | \$ -- | \$ -- |
| (10,498,154) | -- | (10,498,154) | -- | -- | -- | -- |
| (279,734) | -- | (279,734) | -- | -- | -- | -- |
| (5,208,956) | -- | (5,208,956) | -- | -- | -- | -- |
| (4,303,571) | -- | (4,303,571) | -- | -- | -- | -- |
| (2,770,507) | -- | (2,770,507) | -- | -- | -- | -- |
| (166,377) | -- | (166,377) | -- | -- | -- | -- |
| <u>\$ (31,854,530)</u> | <u>\$ --</u> | <u>\$ (31,854,530)</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| \$ -- | \$ 713,597 | \$ 713,597 | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | 111,210 | 111,210 | -- | -- | -- | -- |
| -- | 212,750 | 212,750 | -- | -- | -- | -- |
| <u>\$ --</u> | <u>\$ 1,037,557</u> | <u>\$ 1,037,557</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| <u>\$ (31,854,530)</u> | <u>\$ 1,037,557</u> | <u>\$ (30,816,973)</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| \$ -- | \$ -- | \$ -- | \$ 14,731,417 | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | 1,322,479 | -- | -- |
| -- | -- | -- | -- | -- | 1,353,726 | -- |
| -- | -- | -- | -- | -- | -- | 3,140,879 |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 14,731,417</u> | <u>\$ 1,322,479</u> | <u>\$ 1,353,726</u> | <u>\$ 3,140,879</u> |
| \$ 25,096,699 | \$ -- | \$ 25,096,699 | \$ -- | \$ -- | \$ -- | \$ -- |
| 4,947,250 | -- | 4,947,250 | -- | -- | -- | -- |
| 888,458 | -- | 888,458 | -- | -- | -- | -- |
| 99,967 | -- | 99,967 | -- | -- | -- | -- |
| 1,187,617 | 50,802 | 1,238,419 | 65,951 | 47,509 | 217 | 6,942 |
| 25,400,155 | 88,596 | 25,488,751 | -- | -- | -- | -- |
| 844,766 | -- | 844,766 | -- | -- | -- | -- |
| 3,402,949 | -- | 3,402,949 | -- | -- | -- | -- |
| (356,735) | 356,735 | -- | -- | -- | -- | -- |
| <u>\$ 61,511,126</u> | <u>\$ 496,133</u> | <u>\$ 62,007,259</u> | <u>\$ 65,951</u> | <u>\$ 47,509</u> | <u>\$ 217</u> | <u>\$ 6,942</u> |
| \$ 29,656,596 | \$ 1,533,690 | \$ 31,190,286 | \$ 14,797,368 | \$ 1,369,988 | \$ 1,353,943 | \$ 3,147,821 |
| 230,618,469 | 71,820,105 | 302,438,574 | 146,450,732 | 24,753,801 | 25,926,941 | 15,416,564 |
| <u>\$ 260,275,065</u> | <u>\$ 73,353,795</u> | <u>\$ 333,628,860</u> | <u>\$ 161,248,100</u> | <u>\$ 26,123,789</u> | <u>\$ 27,280,884</u> | <u>\$ 18,564,385</u> |

City of Cedar Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | Special Revenue | | |
|--|----------------------|----------------------|---------------------|----------------------|
| | | Hospital Fund | TIF Fund | Street Repair Fund |
| ASSETS | | | | |
| Cash | \$ 9,464,644 | \$ 5,221,001 | \$ -- | \$ 14,329,497 |
| Receivables, net of allowance for uncollectible amounts: | | | | |
| Property taxes | 15,358,216 | -- | 7,548,519 | -- |
| Other city taxes | 116,867 | -- | -- | 822,134 |
| Accrued interest | 20,342 | 4,638 | -- | 12,557 |
| Special assessments | -- | -- | -- | -- |
| Human & leisure services contributions | 4,144,775 | -- | -- | -- |
| Other | 199,622 | 604,252 | -- | 74,492 |
| Due from component unit | 917,500 | -- | -- | -- |
| Due from other funds | -- | -- | -- | -- |
| Advance to other funds | -- | 11,295,000 | -- | -- |
| Due from other governments | 25,295 | -- | -- | -- |
| Inventories | 183,922 | -- | -- | -- |
| Total assets | <u>\$ 30,431,183</u> | <u>\$ 17,124,891</u> | <u>\$ 7,548,519</u> | <u>\$ 15,238,680</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 489,756 | \$ -- | \$ -- | \$ 1,572,879 |
| Accrued liabilities | 445,063 | -- | -- | -- |
| Due to other funds | -- | -- | -- | -- |
| Total liabilities | <u>\$ 934,819</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 1,572,879</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Succeeding year property taxes | \$ 15,286,996 | \$ -- | \$ 7,493,495 | \$ -- |
| Amounts held in community foundation | 4,144,775 | -- | -- | -- |
| Amount due at end of lease | -- | 579,402 | -- | -- |
| Other | -- | -- | -- | -- |
| Total deferred inflows of resources | <u>\$ 19,431,771</u> | <u>\$ 579,402</u> | <u>\$ 7,493,495</u> | <u>\$ --</u> |
| FUND BALANCES | | | | |
| Nonspendable | \$ 183,922 | \$ -- | \$ -- | \$ -- |
| Restricted | -- | -- | 55,024 | 13,665,801 |
| Committed | -- | 16,545,489 | -- | -- |
| Assigned | 2,277,562 | -- | -- | -- |
| Unassigned | 7,603,109 | -- | -- | -- |
| Total fund balances | <u>\$ 10,064,593</u> | <u>\$ 16,545,489</u> | <u>\$ 55,024</u> | <u>\$ 13,665,801</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 30,431,183</u> | <u>\$ 17,124,891</u> | <u>\$ 7,548,519</u> | <u>\$ 15,238,680</u> |

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 reported as deferred inflows of resources.
- 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 position.
- Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.
- Accrued compensated absences, other postemployment benefits and net pension liability 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.
- Pension related deferred outflows of resources and deferred inflows of resources, are not due and payable in the current year and, therefore, are not reported in the funds.
- Deferred outflows of resources
- Deferred inflows of resources
- Net position of governmental activities

See notes to financial statements

| Debt Service Fund | Capital Projects | | | Other Governmental Funds | Total Governmental Funds |
|---------------------|-------------------------|----------------------|-----------------------|--------------------------|--------------------------|
| | Street Improvement Fund | Capital Improvements | Bond Fund | | |
| \$ 425,150 | \$ 19,091,364 | \$ 11,782,086 | \$ -- | \$ 19,718,642 | \$ 80,032,384 |
| 1,066,794 | -- | -- | -- | 1,449,067 | 25,422,596 |
| -- | -- | -- | -- | 116,867 | 1,055,868 |
| -- | 8,800 | 9,549 | -- | 9,997 | 65,883 |
| -- | -- | 22,007 | -- | 21,048 | 43,055 |
| -- | -- | -- | -- | -- | 4,144,775 |
| 540 | -- | 108,040 | -- | 4,850 | 991,796 |
| -- | -- | -- | -- | -- | 917,500 |
| -- | -- | -- | -- | 4,931,230 | 4,931,230 |
| -- | -- | 3,655,000 | -- | -- | 14,950,000 |
| -- | -- | 13,000 | 143,821 | 429,775 | 611,891 |
| -- | -- | -- | -- | 462,516 | 646,438 |
| <u>\$ 1,492,484</u> | <u>\$ 19,100,164</u> | <u>\$ 15,589,682</u> | <u>\$ 143,821</u> | <u>\$ 27,143,992</u> | <u>\$ 133,813,416</u> |
| \$ -- | \$ 448,751 | \$ 1,127,119 | \$ 361,093 | \$ 1,276,761 | \$ 5,276,359 |
| -- | -- | -- | -- | 52,421 | 497,484 |
| -- | -- | -- | 4,921,339 | 9,891 | 4,931,230 |
| <u>\$ --</u> | <u>\$ 448,751</u> | <u>\$ 1,127,119</u> | <u>\$ 5,282,432</u> | <u>\$ 1,339,073</u> | <u>\$ 10,705,073</u> |
| \$ 1,060,780 | \$ -- | \$ 20,883 | \$ -- | \$ 1,457,423 | \$ 25,319,577 |
| -- | -- | -- | -- | -- | 4,144,775 |
| -- | -- | -- | -- | -- | 579,402 |
| -- | -- | -- | 143,821 | 14 | 143,835 |
| <u>\$ 1,060,780</u> | <u>\$ --</u> | <u>\$ 20,883</u> | <u>\$ 143,821</u> | <u>\$ 1,457,437</u> | <u>\$ 30,187,589</u> |
| \$ -- | \$ -- | \$ 100,000 | \$ -- | \$ 462,516 | \$ 746,438 |
| 431,704 | -- | -- | -- | 13,949,286 | 28,101,815 |
| -- | -- | -- | -- | 863,353 | 17,408,842 |
| -- | 18,651,413 | 14,341,680 | -- | 9,079,514 | 44,350,169 |
| -- | -- | -- | (5,282,432) | (7,187) | 2,313,490 |
| <u>\$ 431,704</u> | <u>\$ 18,651,413</u> | <u>\$ 14,441,680</u> | <u>\$ (5,282,432)</u> | <u>\$ 24,347,482</u> | <u>\$ 92,920,754</u> |
| <u>\$ 1,492,484</u> | <u>\$ 19,100,164</u> | <u>\$ 15,589,682</u> | <u>\$ 143,821</u> | <u>\$ 27,143,992</u> | |
| | | | | | 167,869,172 |
| | | | | | 4,918,723 |
| | | | | | 14,869,105 |
| | | | | | (11,210) |
| | | | | | (13,441,973) |
| | | | | | (4,790,677) |
| | | | | | 2,835,283 |
| | | | | | (4,894,112) |
| | | | | | <u>\$ 260,275,065</u> |

City of Cedar Falls, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | Special Revenue | | | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | General Fund | Hospital Fund | TIF Fund | Street Repair Fund |
| Revenues: | | | | |
| Property taxes and assessments | \$ 14,865,637 | \$ -- | \$ 7,364,625 | \$ -- |
| Other city taxes | 650,405 | -- | -- | 4,947,250 |
| Licenses and permits | 967,488 | -- | -- | -- |
| Use of money and property | 107,435 | 466,006 | -- | 63,465 |
| Intergovernmental | 1,074,954 | -- | 194,387 | -- |
| Charges for services | 3,273,320 | -- | -- | -- |
| Fines and forfeitures | 163,352 | -- | -- | -- |
| Miscellaneous | 135,515 | 302 | -- | 185,882 |
| Utility contribution in lieu of taxes | 1,862,500 | -- | -- | -- |
| Total revenues | \$ 23,100,606 | \$ 466,308 | \$ 7,559,012 | \$ 5,196,597 |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | \$ 8,253,310 | \$ -- | \$ -- | \$ -- |
| Public works | 1,607,764 | -- | -- | 5,246,905 |
| Health and social services | 13,000 | 137,853 | -- | -- |
| Culture and recreation | 6,563,174 | -- | -- | -- |
| Community and economic development | 1,018,595 | -- | -- | -- |
| General government | 3,376,609 | -- | -- | -- |
| Debt service | -- | -- | -- | -- |
| Capital projects | -- | -- | -- | -- |
| Total expenditures | \$ 20,832,452 | \$ 137,853 | \$ -- | \$ 5,246,905 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 2,268,154 | \$ 328,455 | \$ 7,559,012 | \$ (50,308) |
| Other financing sources (uses): | | | | |
| Transfers: | | | | |
| Transfers in | \$ 668,973 | \$ 19,997 | \$ -- | \$ -- |
| Transfers out | (2,595,049) | -- | (7,509,667) | -- |
| Total other financing sources (uses) | \$ (1,926,076) | \$ 19,997 | \$ (7,509,667) | \$ -- |
| Net change in fund balances | \$ 342,078 | \$ 348,452 | \$ 49,345 | \$ (50,308) |
| Fund balances, beginning | 9,733,789 | 16,197,037 | 5,679 | 13,716,109 |
| Increase (decrease) in reserve for inventories | (11,274) | -- | -- | -- |
| Fund balances, ending | \$ 10,064,593 | \$ 16,545,489 | \$ 55,024 | \$ 13,665,801 |

See notes to financial statements

| Debt Service Fund | Capital Projects | | | Other Governmental Funds | Total Governmental Funds |
|---------------------|-------------------------|----------------------|-----------------------|--------------------------|--------------------------|
| | Street Improvement Fund | Capital Improvements | Bond Fund | | |
| \$ 1,039,159 | \$ -- | \$ 1,124 | \$ -- | \$ 1,829,075 | \$ 25,099,620 |
| 3,978 | -- | -- | -- | 554,416 | 6,156,049 |
| -- | -- | -- | -- | -- | 967,488 |
| -- | 96,892 | 254,280 | -- | 199,539 | 1,187,617 |
| 19,592 | 20,000,000 | 13,000 | 584,372 | 5,607,892 | 27,494,197 |
| -- | -- | -- | -- | 55,741 | 3,329,061 |
| -- | -- | -- | -- | 129,199 | 292,551 |
| -- | -- | 286,990 | 66,658 | 479,239 | 1,154,586 |
| -- | -- | 1,540,449 | -- | -- | 3,402,949 |
| <u>\$ 1,062,729</u> | <u>\$ 20,096,892</u> | <u>\$ 2,095,843</u> | <u>\$ 651,030</u> | <u>\$ 8,855,101</u> | <u>\$ 69,084,118</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ 1,483,562 | \$ 9,736,872 |
| -- | -- | -- | -- | 3,223,604 | 10,078,273 |
| -- | -- | -- | -- | -- | 150,853 |
| -- | -- | -- | -- | 386,276 | 6,949,450 |
| -- | -- | -- | -- | 1,511,263 | 2,529,858 |
| -- | -- | -- | -- | -- | 3,376,609 |
| 1,196,875 | -- | -- | -- | -- | 1,196,875 |
| -- | 1,445,479 | 642,283 | 3,901,425 | 3,117,384 | 9,106,571 |
| <u>\$ 1,196,875</u> | <u>\$ 1,445,479</u> | <u>\$ 642,283</u> | <u>\$ 3,901,425</u> | <u>\$ 9,722,089</u> | <u>\$ 43,125,361</u> |
| \$ (134,146) | \$ 18,651,413 | \$ 1,453,560 | \$ (3,250,395) | \$ (866,988) | \$ 25,958,757 |
| \$ 148,938 | \$ -- | \$ 1,659,297 | \$ 3,531,958 | \$ 4,205,471 | \$ 10,234,634 |
| -- | -- | (107,120) | -- | (651,581) | (10,863,417) |
| <u>\$ 148,938</u> | <u>\$ --</u> | <u>\$ 1,552,177</u> | <u>\$ 3,531,958</u> | <u>\$ 3,553,890</u> | <u>\$ (628,783)</u> |
| \$ 14,792 | \$ 18,651,413 | \$ 3,005,737 | \$ 281,563 | \$ 2,686,902 | \$ 25,329,974 |
| 416,912 | -- | 11,435,943 | (5,563,995) | 21,455,804 | 67,397,278 |
| -- | -- | -- | -- | 204,776 | 193,502 |
| <u>\$ 431,704</u> | <u>\$ 18,651,413</u> | <u>\$ 14,441,680</u> | <u>\$ (5,282,432)</u> | <u>\$ 24,347,482</u> | <u>\$ 92,920,754</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, 2015

Net change in fund balances - total governmental funds \$ 25,329,974

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 | 9,353,344 | |
| Depreciation expense | <u>(7,241,135)</u> | |
| | | 2,112,209 |

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

| | | |
|----------------|------------------|-----------|
| Property tax | (2,921) | |
| Other City Tax | (220,374) | |
| Other | <u>(155,541)</u> | |
| | | (378,836) |

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 position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of net position. Current year repayments exceeded issues, as follows:

| | | |
|------------------|----------------|-----------|
| Repaid | 1,040,000 | |
| Accrued interest | <u>(9,502)</u> | |
| | | 1,030,498 |

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 | 116,358 | |
| Other postemployment benefits | 59,395 | |
| Pension expense | 1,152,531 | |
| Change in inventory | <u>193,502</u> | |
| | | 1,521,786 |

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.

| | |
|--|----------------------|
| | 40,965 |
| | <u>\$ 29,656,596</u> |

Change in net position of governmental activities

See notes to financial statements

City of Cedar Falls, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Business-type Activities - Enterprise Fund | |
|---|---|---------------|
| | Sewer Fund | Refuse Fund |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 4,235,206 | \$ 3,115,773 |
| Receivables, net of allowance for uncollectible amounts: | | |
| Accrued interest | 5,416 | 2,523 |
| Other | 860,195 | 390,418 |
| Due from other governments | -- | 20,000 |
| Inventories | 52,211 | 36,592 |
| Total current assets | \$ 5,153,028 | \$ 3,565,306 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | \$ 779,878 | \$ 204,845 |
| Buildings | 42,357,100 | 12,976,494 |
| Machinery and equipment | 5,624,539 | 2,807,094 |
| Infrastructure | 31,153,276 | -- |
| Construction in progress | 1,475,977 | -- |
| Accumulated depreciation | (19,297,961) | (2,754,348) |
| Total noncurrent assets | \$ 62,092,809 | \$ 13,234,085 |
| Total assets | \$ 67,245,837 | \$ 16,799,391 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows | \$ 101,916 | \$ 90,472 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 176,356 | \$ 98,102 |
| Accrued liabilities | 83,861 | 26,707 |
| Bonds payable - due within one year | 946,000 | -- |
| Compensated absences - due within one year | 78,705 | 66,496 |
| Total current liabilities | \$ 1,284,922 | \$ 191,305 |
| Noncurrent liabilities: | | |
| Bonds payable- after one year | \$ 7,186,539 | \$ -- |
| Advance from other funds | 14,950,000 | -- |
| Compensated absences - after one year | 115,249 | 191,759 |
| Net pension liability | 497,342 | 475,326 |
| Total noncurrent liabilities | \$ 22,749,130 | \$ 667,085 |
| Total liabilities | \$ 24,034,052 | \$ 858,390 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | \$ 215,146 | \$ 205,622 |
| NET POSITION | | |
| Net investment in capital assets | \$ 53,973,593 | \$ 13,234,085 |
| Restricted for post closure costs | -- | 9,500 |
| Unrestricted | (10,875,038) | 2,582,266 |
| Total net position | \$ 43,098,555 | \$ 15,825,851 |

See notes to financial statements

| Business-type Activities - Enterprise Fund | | Governmental Activities - Internal Service Funds |
|---|----------------------|---|
| Storm Water Fund | Total | Service Funds |
| \$ 2,378,760 | \$ 9,729,739 | \$ 14,171,160 |
| 2,013 | 9,952 | 12,313 |
| 30,724 | 1,281,337 | 8,417 |
| 29,711 | 49,711 | -- |
| -- | 88,803 | 45,180 |
| <u>\$ 2,441,208</u> | <u>\$ 11,159,542</u> | <u>\$ 14,237,070</u> |
| \$ 627,858 | \$ 1,612,581 | \$ -- |
| -- | 55,333,594 | 90,302 |
| -- | 8,431,633 | 7,647,493 |
| 17,072,207 | 48,225,483 | -- |
| 287,530 | 1,763,507 | -- |
| (5,750,325) | (27,802,634) | (5,367,332) |
| <u>\$ 12,237,270</u> | <u>\$ 87,564,164</u> | <u>\$ 2,370,463</u> |
| <u>\$ 14,678,478</u> | <u>\$ 98,723,706</u> | <u>\$ 16,607,533</u> |
| \$ 27,151 | \$ 219,539 | \$ 71,341 |
| \$ 30,868 | \$ 305,326 | \$ 499,241 |
| 7,472 | 118,040 | 738,291 |
| -- | 946,000 | -- |
| 12,924 | 158,125 | 48,333 |
| <u>\$ 51,264</u> | <u>\$ 1,527,491</u> | <u>\$ 1,285,865</u> |
| \$ -- | \$ 7,186,539 | \$ -- |
| -- | 14,950,000 | -- |
| 51,909 | 358,917 | 62,931 |
| 120,807 | 1,093,475 | 321,776 |
| <u>\$ 172,716</u> | <u>\$ 23,588,931</u> | <u>\$ 384,707</u> |
| <u>\$ 223,980</u> | <u>\$ 25,116,422</u> | <u>\$ 1,670,572</u> |
| \$ 52,260 | \$ 473,028 | \$ 139,197 |
| \$ 12,237,270 | \$ 79,444,948 | \$ 2,370,463 |
| -- | 9,500 | -- |
| 2,192,119 | (6,100,653) | 12,498,642 |
| <u>\$ 14,429,389</u> | <u>\$ 73,353,795</u> | <u>\$ 14,869,105</u> |

City of Cedar Falls, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

| | Business-type Activities - Enterprise Funds | |
|---|--|----------------------|
| | Sewer Fund | Refuse Fund |
| Operating revenues: | | |
| Charges for services | \$ 5,064,103 | \$ 2,636,137 |
| Other | 3,045 | 219,130 |
| Total operating revenues | <u>\$ 5,067,148</u> | <u>\$ 2,855,267</u> |
| Operating expenses: | | |
| Personal services | \$ 1,204,907 | \$ 1,034,132 |
| Contractual services | 994,043 | 1,184,413 |
| Supplies and equipment | 216,607 | 68,226 |
| Depreciation | 1,594,199 | 440,141 |
| Total operating expenses | <u>\$ 4,009,756</u> | <u>\$ 2,726,912</u> |
| Operating income(loss) | <u>\$ 1,057,392</u> | <u>\$ 128,355</u> |
| Nonoperating revenues (expenses): | | |
| Interest revenue | \$ 24,998 | \$ 14,856 |
| Interest expense | (692,583) | -- |
| Intergovernmental | -- | 22,000 |
| Gain (loss) on disposal of equipment | -- | (17,145) |
| Nonoperating revenues (expenses),net | <u>\$ (667,585)</u> | <u>\$ 19,711</u> |
| Income(loss) before contributions and transfers | <u>\$ 389,807</u> | <u>\$ 148,066</u> |
| Capital contributions | \$ 348,788 | \$ -- |
| Transfers in | 668,736 | 299,839 |
| Transfers out | (341,889) | (205,832) |
| Contributions and transfers, net | <u>\$ 675,635</u> | <u>\$ 94,007</u> |
| Change in net position | \$ 1,065,442 | \$ 242,073 |
| Net position, beginning restated | 42,033,113 | 15,583,778 |
| Net position, ending | <u>\$ 43,098,555</u> | <u>\$ 15,825,851</u> |

See notes to financial statements

| Business-type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|--|----------------------|--|
| Storm Water Fund | Total | |
| \$ 830,061 | \$ 8,530,301 | \$ 6,670,750 |
| 440 | 222,615 | 276,421 |
| <u>\$ 830,501</u> | <u>\$ 8,752,916</u> | <u>\$ 6,947,171</u> |
| \$ 358,998 | \$ 2,598,037 | \$ 1,199,484 |
| 187,202 | 2,365,658 | 4,522,177 |
| 35,372 | 320,205 | 1,106,046 |
| 418,862 | 2,453,202 | 376,627 |
| <u>\$ 1,000,434</u> | <u>\$ 7,737,102</u> | <u>\$ 7,204,334</u> |
| <u>\$ (169,933)</u> | <u>\$ 1,015,814</u> | <u>\$ (257,163)</u> |
| \$ 10,948 | \$ 50,802 | \$ 63,472 |
| -- | (692,583) | -- |
| 66,596 | 88,596 | -- |
| -- | (17,145) | (37,392) |
| <u>\$ 77,544</u> | <u>\$ (570,330)</u> | <u>\$ 26,080</u> |
| <u>\$ (92,389)</u> | <u>\$ 445,484</u> | <u>\$ (231,083)</u> |
| \$ 382,683 | \$ 731,471 | \$ -- |
| -- | 968,575 | 365,852 |
| (64,119) | (611,840) | (93,804) |
| <u>\$ 318,564</u> | <u>\$ 1,088,206</u> | <u>\$ 272,048</u> |
| \$ 226,175 | \$ 1,533,690 | \$ 40,965 |
| 14,203,214 | 71,820,105 | 14,828,140 |
| <u>\$ 14,429,389</u> | <u>\$ 73,353,795</u> | <u>\$ 14,869,105</u> |

**City of Cedar Falls, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

| | <u>Business-type Activities - Enterprise Funds Sewer Fund</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 4,901,189 |
| Receipts from interfund services | -- |
| Payments to suppliers | (1,408,867) |
| Payments to employees | (1,242,446) |
| Net cash provided by operating activities | <u>\$ 2,249,876</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | \$ 668,736 |
| Transfers to other funds | (341,889) |
| Receipts from other governments | -- |
| Net cash provided by (used for) noncapital financing activities | <u>\$ 326,847</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Net acquisition of property and equipment | \$ (1,842,629) |
| Capital contributions | 348,788 |
| Proceeds from other funds | 1,200,000 |
| Principal paid on debt maturities | (927,000) |
| Payments on advance from other funds | (795,000) |
| Interest paid | (673,293) |
| Net cash (used for) capital and related financing activities | <u>\$ (2,689,134)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received on investments | <u>\$ 23,236</u> |
| Net increase (decrease) in cash | \$ (89,175) |
| CASH BALANCES, Beginning | <u>4,324,381</u> |
| CASH BALANCES, Ending | <u>\$ 4,235,206</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income (loss) | \$ 1,057,392 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,594,199 |
| (Increase) decrease in: | |
| Customer and other receivables | (50,630) |
| Inventories | (11,717) |
| Increase (decrease) in accounts payable, accrued and other liabilities | (525,877) |
| (Increase) decrease in deferred outflows of resources | (28,637) |
| Increase (decrease) in deferred inflows of resources | 215,146 |
| Net cash provided by operating activities | <u>\$ 2,249,876</u> |

See notes to financial statements

| Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---------------------|-----------------------|---|
| Refuse Fund | Storm Water Fund | Total | |
| \$ 2,621,026 | \$ 837,074 | \$ 8,359,289 | \$ -- |
| -- | -- | -- | 6,670,750 |
| (1,011,035) | (215,143) | (2,635,045) | (4,811,658) |
| (1,100,309) | (328,650) | (2,671,405) | (1,320,971) |
| <u>\$ 509,682</u> | <u>\$ 293,281</u> | <u>\$ 3,052,839</u> | <u>\$ 538,121</u> |
| \$ 299,839 | \$ -- | \$ 968,575 | \$ 365,852 |
| (205,832) | (64,119) | (611,840) | (93,804) |
| 20,000 | 48,400 | 68,400 | -- |
| <u>\$ 114,007</u> | <u>\$ (15,719)</u> | <u>\$ 425,135</u> | <u>\$ 272,048</u> |
| \$ (991,717) | \$ (677,697) | \$ (3,512,043) | \$ (312,228) |
| -- | 382,683 | 731,471 | -- |
| -- | -- | 1,200,000 | -- |
| -- | -- | (927,000) | -- |
| -- | -- | (795,000) | -- |
| -- | -- | (673,293) | -- |
| <u>\$ (991,717)</u> | <u>\$ (295,014)</u> | <u>\$ (3,975,865)</u> | <u>\$ (312,228)</u> |
| \$ 14,197 | \$ 10,251 | \$ 47,684 | \$ 59,116 |
| \$ (353,831) | \$ (7,201) | \$ (450,207) | \$ 557,057 |
| 3,469,604 | 2,385,961 | 10,179,946 | 13,614,103 |
| <u>\$ 3,115,773</u> | <u>\$ 2,378,760</u> | <u>\$ 9,729,739</u> | <u>\$ 14,171,160</u> |
| \$ 128,355 | \$ (169,933) | \$ 1,015,814 | \$ (257,163) |
| 440,141 | 418,862 | 2,453,202 | 376,627 |
| (14,578) | 7,013 | (58,195) | 141,489 |
| (8,381) | -- | (20,098) | 47,169 |
| (221,040) | (5,570) | (752,487) | 114,732 |
| (20,437) | (9,351) | (58,425) | (23,930) |
| 205,622 | 52,260 | 473,028 | 139,197 |
| <u>\$ 509,682</u> | <u>\$ 293,281</u> | <u>\$ 3,052,839</u> | <u>\$ 538,121</u> |

CITY OF CEDAR FALLS, IOWA
NOTES TO FINANCIAL STATEMENTS
INDEX

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Cedar Falls Utilities
Utility Parkway
Cedar Falls, Iowa 50613

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 position presents the assets and liabilities, with the difference reported as net position. Net position are reported in three categories.

Net investment in capital assets 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 position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position 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 *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *street improvement fund* accounts for the state revenues received by the City for transfer of jurisdiction of University Avenue to be used to improve the City's streets.

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

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

The City reports the following major proprietary funds:

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

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

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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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) or "advances to/from other funds" (i.e., the non-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, 2015, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2014 and March 31, 2015. 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 2014-2015 tax levy remitted to the City within sixty days subsequent to June 30, 2015, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2015, are delinquent and have been recorded as receivables and unavailable revenues.

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 reported as a deferred inflow 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 position. 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 | 5 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. Deferred Outflows of Resources

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

7. 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, 2015.

8. 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 position. 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.

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

9. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other unrecognized items not yet charged to pension expense.

10. Fund Balance Policies

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable 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 by adoption of an ordinance prior to the end of the fiscal year). 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. The City Council has by resolution authorized the Finance Manager to assign fund balance.
- 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, 2015, fund balances are composed of the following:

| <u>Fund Balance Classification</u> | <u>Purpose</u> | <u>Fund</u> | <u>Amount</u> |
|------------------------------------|-----------------------------|------------------------------|----------------------|
| Nonspendable | Inventory | General | \$ 183,922 |
| | Note Receivable | Capital Improvements | 100,000 |
| | Inventory | Non-major Governmental Funds | 462,516 |
| | | | <u>\$ 746,438</u> |
| Restricted | TIF Debt | TIF | \$ 55,024 |
| | Street Repair | Street Repair | 13,665,801 |
| | Debt Service | Debt Service | 431,704 |
| | Community Block Grant | Non-major Governmental Funds | 103,742 |
| | Housing Assistance | Non-major Governmental Funds | 503,546 |
| | Employee Retirement Systems | Non-major Governmental Funds | 5,606,873 |
| | Visitors & Tourism | Non-major Governmental Funds | 842,691 |
| | Road Use Tax | Non-major Governmental Funds | 6,510,514 |
| | Cemetery Perpetual Care | Non-major Governmental Funds | 381,920 |
| | | <u>\$ 28,101,815</u> | |
| Committed | Health Services | Hospital | \$ 16,545,489 |
| | Parking | Non-major Governmental Funds | 863,353 |
| | | | <u>\$ 17,408,842</u> |
| Assigned | Cultural Services | General | \$ 148,985 |
| | Recreational Services | General | 2,128,577 |
| | Street Improvement | Street Improvement | 18,651,413 |
| | Capital Projects | Capital Improvements | 14,341,680 |
| | Capital Projects | Non-major Governmental Funds | 9,079,514 |
| | | <u>\$ 44,350,169</u> | |

The City Council has adopted a minimum cash reserve policy. Those amounts are as follows:

General Fund: 15-25% of next year's expenditures and preferably at the 20-25% level

Refuse Fund: 20-30%, but no less than \$500,000.

Sewer Fund: 65-75%, but no less than \$1,500,000.

Street Fund: 20-30%, but no less than \$1,000,000.

Storm Water Fund: 10-20%, but no less than \$200,000

11. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Implementation of GASB Statement No. 68 and GASB Statement No. 71

For fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 3, Section J and the additional disclosures required by these standards are included in Note 3, Section F.

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, City Administrator, and Director of Finance and Business Administration 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, City Administrator, 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, 2015.

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 Finance and Business Operations.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the Department of Finance and Business Operations 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 Finance and Business Operations 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 Bond fund, a major capital projects fund, has a deficit fund balance of \$5,282,432. This deficit fund balance is expected to be recovered through future bond sales. The Sidewalk Assessment fund, a non-major capital projects fund, has a deficit fund balance of \$7,187. The deficit fund balance is expected to be recovered through future property tax special assessments.

Note 3. Detailed Notes On All Funds

A. Deposits and Investments

The City's deposits in banks and credit unions at June 30, 2015 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, 2015, consist of the following:

| | |
|---------------------|-----------------------|
| Cash – unrestricted | <u>\$ 103,933,283</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 | <u>\$ 103,933,283</u> |
| Cash – Governmental Activities | \$ 94,203,544 |
| Cash – Business-type Activities | <u>9,729,739</u> |
| Total | <u><u>\$ 103,933,283</u></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, 2015, consist of the following:

| | Electric Utility | Gas Utility | Water Utility | Communications Utility |
|---------------------|----------------------|---------------------|---------------------|---------------------------|
| Cash – unrestricted | \$ 36,864,207 | \$ 9,016,612 | \$ 4,576,832 | \$ 3,203,867 |
| Cash – restricted | 1,945,555 | 193,663 | 100,179 | 267,102 |
| | <u>\$ 38,809,762</u> | <u>\$ 9,210,275</u> | <u>\$ 4,677,011</u> | <u>\$ 3,470,969</u> |

A reconciliation of cash and investments as shown on the statement of net position 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 | \$ 38,809,762 | \$ 9,210,275 | \$ 4,677,011 | \$ 3,470,969 |
| Carrying amount of certificates | 8,590,000 | -- | -- | 1,541,000 |
| Total | <u>\$ 47,399,762</u> | <u>\$ 9,210,275</u> | <u>\$ 4,677,011</u> | <u>\$ 5,011,969</u> |
| | | | | |
| Cash | \$ 36,864,207 | \$ 9,016,612 | \$ 4,576,832 | \$ 3,203,867 |
| Cash - Restricted | 1,945,555 | 193,663 | 100,179 | 267,102 |
| Investments: | | | | |
| Certificates of deposit | 2,500,000 | -- | -- | -- |
| Certificates of deposit - restricted | 6,090,000 | -- | -- | 1,541,000 |
| Total | <u>\$ 47,399,762</u> | <u>\$ 9,210,275</u> | <u>\$ 4,677,011</u> | <u>\$ 5,011,969</u> |

B. Receivable

On June 30, 2015, the City has recorded a \$4,144,775 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, 2015 was as follows:

Primary Government

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 35,640,130 | \$ 585,288 | \$ -- | \$ 36,225,418 |
| Construction in progress | 5,693,990 | 6,141,331 | 2,829,575 | 9,005,746 |
| Total capital assets, not being depreciated | <u>\$ 41,334,120</u> | <u>\$ 6,726,619</u> | <u>\$ 2,829,575</u> | <u>\$ 45,231,164</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 28,026,105 | \$ 285,273 | \$ 2,153,925 | \$ 26,157,453 |
| Land improvements | 13,155,356 | 19,997 | -- | 13,175,353 |
| Machinery and equipment | 17,931,322 | 644,581 | 522,829 | 18,053,074 |
| Infrastructure | 172,775,534 | 6,097,229 | -- | 178,872,763 |
| Total capital assets, being depreciated | <u>\$ 231,888,317</u> | <u>\$ 7,047,080</u> | <u>\$ 2,676,754</u> | <u>\$ 236,258,643</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 10,084,168 | \$ 631,141 | \$ 946,829 | \$ 9,768,480 |
| Land improvements | 5,463,933 | 490,129 | -- | 5,954,062 |
| Machinery and equipment | 11,000,738 | 883,356 | 413,978 | 11,470,116 |
| Infrastructure | 78,444,380 | 5,613,134 | -- | 84,057,514 |
| Total accumulated depreciation | <u>\$ 104,993,219</u> | <u>\$ 7,617,760</u> | <u>\$ 1,360,807</u> | <u>\$ 111,250,172</u> |
| Total capital assets, being depreciated, net | <u>\$ 126,895,098</u> | <u>\$ (570,680)</u> | <u>\$ 1,315,947</u> | <u>\$ 125,008,471</u> |
| Governmental activities capital asset, net | <u>\$ 168,229,218</u> | <u>\$ 6,155,939</u> | <u>\$ 4,145,522</u> | <u>\$ 170,239,635</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|-------------------|-----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,612,581 | \$ -- | \$ -- | \$ 1,612,581 |
| Construction in progress | 586,079 | 1,855,417 | 677,989 | 1,763,507 |
| Total capital assets, not being depreciated | <u>\$ 2,198,660</u> | <u>\$ 1,855,417</u> | <u>\$ 677,989</u> | <u>\$ 3,376,088</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 54,617,175 | \$ 745,219 | \$ 28,800 | \$ 55,333,594 |
| Machinery and equipment | 8,125,739 | 392,635 | 86,741 | 8,431,633 |
| Infrastructure | 47,028,725 | 1,196,758 | -- | 48,225,483 |
| Total capital assets, being depreciated | <u>\$ 109,771,639</u> | <u>\$ 2,334,612</u> | <u>\$ 115,541</u> | <u>\$ 111,990,710</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 6,489,242 | \$ 1,111,999 | \$ 28,800 | \$ 7,572,441 |
| Machinery and equipment | 2,952,940 | 334,540 | 69,596 | 3,217,884 |
| Infrastructure | 16,005,648 | 1,006,661 | -- | 17,012,309 |
| Total accumulated depreciation | <u>\$ 25,447,830</u> | <u>\$ 2,453,200</u> | <u>\$ 98,396</u> | <u>\$ 27,802,634</u> |
| Total capital assets, being depreciated, net | <u>\$ 84,323,809</u> | <u>\$ (118,588)</u> | <u>\$ 17,145</u> | <u>\$ 84,188,076</u> |
| Business-type activities capital assets, net | <u>\$ 86,522,469</u> | <u>\$ 1,736,829</u> | <u>\$ 695,134</u> | <u>\$ 87,564,164</u> |

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

Governmental activities:

| | |
|--|---------------------|
| Public safety | \$ 120,948 |
| Public works | 5,665,303 |
| Health and social services | 148,878 |
| Culture and recreation | 952,407 |
| Community and economic development | 14,642 |
| General government | 338,955 |
| Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets | 376,627 |
| Total depreciation expense - governmental activities | <u>\$ 7,617,760</u> |

Business-type activities

| | |
|---|---------------------|
| Sewer | \$ 1,594,199 |
| Refuse | 440,140 |
| Storm Water | 418,861 |
| Total depreciation expense - business-type activities | <u>\$ 2,453,200</u> |

Construction Commitments

The City has active construction projects as of June 30, 2015. 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> |
|--------------------------------|----------------------------------|-----------------------------|---------------------------------|
| Beach House | \$ 650,620 | \$ 528,278 | \$ 122,342 |
| Bioretention | 18,494 | 6,112 | 12,382 |
| Bridge Maintenance | 99,556 | 74,701 | 24,855 |
| Disinfection | 3,594,645 | 3,443,989 | 150,656 |
| Downtown Levee Improvements | 599,500 | 426,157 | 173,343 |
| Park Drive Lift Station | 610,538 | 450,147 | 160,391 |
| Permeable Alley | 252,016 | 76,232 | 175,784 |
| Prairie Parkway Extension | 2,302,448 | 2,266,796 | 35,652 |
| Public Safety Bldg Assessment | 58,190 | 50,699 | 7,491 |
| Recreation Trail | 324,299 | 0 | 324,299 |
| Seal Coat | 96,887 | 0 | 96,887 |
| Sewer Rehab | 511,912 | 501,364 | 10,548 |
| Street Reconstruction | 4,909,870 | 3,294,946 | 1,614,924 |
| Street Restoration | 3,383,970 | 2,863,714 | 520,256 |
| Traffic Signal | 402,584 | 263,529 | 139,055 |
| Traffic Study | 25,000 | 22,632 | 2,368 |
| University Ave. Bridge | 471,722 | 246,177 | 225,545 |
| University Ave. Reconstruction | 4,412,210 | 1,431,452 | 2,980,758 |
| Watershed Improvements | 45,999 | 19,859 | 26,140 |
| West Viking Road | 2,165,173 | 2,151,010 | 14,163 |
| | <u>\$ 24,935,633</u> | <u>\$ 18,117,794</u> | <u>\$ 6,817,839</u> |

Discretely Presented Component Units

Activity for the Electric Utility for the year ended December 31, 2014, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,373,577 | \$ -- | -- | \$ 1,373,577 |
| Construction in progress | 7,054,663 | 17,668,588 | 14,518,077 | 10,205,174 |
| Total capital assets, not being depreciated | <u>\$ 8,428,240</u> | <u>\$ 17,668,588</u> | <u>\$ 14,518,077</u> | <u>\$ 11,578,751</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 31,369,108 | \$ 840,275 | \$ 37,629 | \$ 32,171,754 |
| Land improvements | 4,683 | -- | -- | 4,683 |
| Machinery and equipment | 20,072,032 | 946,815 | 586,349 | 20,432,498 |
| Infrastructure | 160,729,533 | 12,685,348 | 1,798,773 | 171,616,108 |
| Total capital assets, being depreciated | <u>\$ 212,175,356</u> | <u>\$ 14,472,438</u> | <u>\$ 2,422,751</u> | <u>\$ 224,225,043</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 10,155,619 | \$ 346,047 | \$ 54,550 | \$ 10,447,116 |
| Land improvements | 4,592 | 21 | -- | 4,613 |
| Machinery and equipment | 9,299,692 | 1,642,176 | 584,015 | 10,357,853 |
| Infrastructure | 58,676,705 | 2,999,387 | 2,352,256 | 59,323,836 |
| | <u>\$ 78,136,608</u> | <u>\$ 4,987,631</u> | <u>\$ 2,990,821</u> | <u>\$ 80,133,418</u> |
| Total capital assets, being depreciated, net | <u>\$ 134,038,748</u> | <u>\$ 9,484,807</u> | <u>\$ (568,070) *</u> | <u>\$ 144,091,625</u> |
| Electric Utility capital assets, net | <u>\$ 142,466,988</u> | <u>\$ 27,153,395</u> | <u>\$ 13,950,007</u> | <u>\$ 155,670,376</u> |

*Cedar Falls Utilities uses FERC utility accounting which allows for depreciation calculated using the composite straight-line method. Under this method it is common for accumulated depreciation deletions to exceed the cost removed.

Activity for the Gas Utility for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 29,714 | \$ -- | \$ 3,847 | \$ 25,867 |
| Construction in progress | 1,736,473 | 95,311 | 1,742,192 | 89,592 |
| Total capital assets, not being depreciated | <u>\$ 1,766,187</u> | <u>\$ 95,311</u> | <u>\$ 1,746,039</u> | <u>\$ 115,459</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 3,099,505 | \$ 116,632 | \$ 19,337 | \$ 3,196,800 |
| Machinery and equipment | 649,731 | 3,110 | 1,417 | 651,424 |
| Infrastructure | 18,927,957 | 1,618,122 | 34,834 | 20,511,245 |
| Total capital assets, being depreciated | <u>\$ 22,677,193</u> | <u>\$ 1,737,864</u> | <u>\$ 55,588</u> | <u>\$ 24,359,469</u> |
| Less accumulated depreciation | | | | |
| Buildings | \$ 409,189 | \$ 74,780 | \$ 19,337 | \$ 464,632 |
| Machinery and equipment | 282,220 | 34,463 | 1,417 | 315,266 |
| Infrastructure | 9,591,616 | 711,378 | 44,022 | 10,258,972 |
| | <u>\$ 10,283,025</u> | <u>\$ 820,621</u> | <u>\$ 64,776</u> | <u>\$ 11,038,870</u> |
| Total capital assets, being depreciated, net | <u>\$ 12,394,168</u> | <u>\$ 917,243</u> | <u>\$ (9,188) *</u> | <u>\$ 13,320,599</u> |
| Gas Utility capital assets, net | <u>\$ 14,160,355</u> | <u>\$ 1,012,554</u> | <u>\$ 1,736,851</u> | <u>\$ 13,436,058</u> |

*Cedar Falls Utilities uses FERC utility accounting which allows for depreciation calculated using the composite straight-line method. Under this method it is common for accumulated depreciation deletions to exceed the cost removed.

Activity for the Water Utility for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 63,466 | \$ -- | \$ -- | \$ 63,466 |
| Construction in progress | 126,161 | 1,605,893 | 1,621,040 | 111,014 |
| Total capital assets, not being depreciated | <u>\$ 189,627</u> | <u>\$ 1,605,893</u> | <u>\$ 1,621,040</u> | <u>\$ 174,480</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 1,922,630 | \$ 84,285 | \$ 6,632 | \$ 2,000,283 |
| Machinery and equipment | 1,255,692 | 89,486 | 6,242 | 1,338,936 |
| Infrastructure | 27,735,879 | 1,445,810 | 39,549 | 29,142,140 |
| Total capital assets, being depreciated | <u>\$ 30,914,201</u> | <u>\$ 1,619,581</u> | <u>\$ 52,423</u> | <u>\$ 32,481,359</u> |
| Less accumulated depreciation | | | | |
| Buildings | \$ 165,607 | \$ 31,207 | \$ 6,632 | \$ 190,182 |
| Machinery and equipment | 195,661 | 19,193 | 411 | 214,443 |
| Infrastructure | 9,172,966 | 613,253 | 45,826 | 9,740,393 |
| Total accumulated depreciation | <u>\$ 9,534,234</u> | <u>\$ 663,653</u> | <u>\$ 52,869</u> | <u>\$ 10,145,018</u> |
| Total capital assets, being depreciated, net | <u>\$ 21,379,967</u> | <u>\$ 955,928</u> | <u>\$ (446) *</u> | <u>\$ 22,336,341</u> |
| Water Utility capital assets, net | <u>\$ 21,569,594</u> | <u>\$ 2,561,821</u> | <u>\$ 1,620,594</u> | <u>\$ 22,510,821</u> |

*Cedar Falls Utilities uses FERC utility accounting which allows for depreciation calculated using the composite straight-line method. Under this method it is common for accumulated depreciation deletions to exceed the cost removed.

Activity for the Communications Utility for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,177 | \$ -- | \$ -- | \$ 2,177 |
| Construction in progress | 409,947 | 1,313,563 | 1,172,675 | 550,835 |
| Total capital assets, not being depreciated | <u>\$ 412,124</u> | <u>\$ 1,313,563</u> | <u>\$ 1,172,675</u> | <u>\$ 553,012</u> |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 17,588,929 | \$ 704,624 | \$ 872,387 | \$ 17,421,166 |
| Infrastructure | 16,458,088 | 469,022 | 117,153 | 16,809,957 |
| Total capital assets, being depreciated | <u>\$ 34,047,017</u> | <u>\$ 1,173,646</u> | <u>\$ 989,540</u> | <u>\$ 34,231,123</u> |
| Less accumulated depreciation | | | | |
| Machinery and equipment | \$ 222,622 | \$ 17,127 | \$ 94,143 | \$ 145,606 |
| Infrastructure | 6,613,533 | 2,375,128 | 904,450 | 8,084,211 |
| Total accumulated depreciation | <u>\$ 6,836,156</u> | <u>\$ 2,392,255</u> | <u>\$ 998,593</u> | <u>\$ 8,229,817</u> |
| Total capital assets, being depreciated, net | <u>\$ 27,210,861</u> | <u>\$ (1,218,609)</u> | <u>\$ (9,053) *</u> | <u>\$ 26,001,306</u> |
| Communications Utility capital assets, net | <u>\$ 27,622,985</u> | <u>\$ 94,955</u> | <u>\$ 1,163,622</u> | <u>\$ 26,554,318</u> |

*Cedar Falls Utilities uses FERC utility accounting which allows for depreciation calculated using the composite straight-line method. Under this method it is common for accumulated depreciation deletions to exceed the cost removed.

D. Lease

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, 2015, is recorded as a receivable and deferred inflow of resources in the Hospital Fund in the amount of \$579,402.

The lease for the Hospital is being treated as an operating lease by the City. The future minimum lease payments for this lease are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Hospital</u> |
|---------------------------------------|-------------------|
| 2016 | \$ 31,796 |
| 2017 | 31,796 |
| 2018 | 31,796 |
| 2019 | 31,796 |
| 2020 | 31,796 |
| 2021 | 31,793 |
| Total | <u>\$ 190,773</u> |

The capital asset being leased through the operating lease is as follows:

| | <u>Governmental Activities</u> |
|--------------------------|--------------------------------|
| | <u>Hospital</u> |
| Land | \$ 151,494 |
| Building | 5,873,537 |
| Less: | |
| Accumulated depreciation | <u>(2,504,442)</u> |
| Total | <u>\$ 3,520,589</u> |

E. Non-Current Liabilities

Following is a summary of the City's changes in long-term liabilities for the year-ended June 30, 2015, and the total liability of the City as of that date as reported on the government-wide statement of net position:

| | Balance Beginning of Year Restated | Increases | Decreases | Balance End of Year | Due Within One Year |
|---|---|--------------------------|----------------------------|-----------------------------|----------------------------|
| Governmental activities: | | | | | |
| General Obligation bonds/notes ⁽²⁾ | \$ 5,819,312 | \$ -- | \$ 1,028,635 | \$ 4,790,677 | \$ 1,070,000 |
| Compensated absences ⁽¹⁾ | 2,749,317 | 52,305 | 151,816 | 2,649,806 | 915,868 |
| Net pension liability | 16,364,599 | -- | 5,357,518 | 11,007,081 | -- |
| Net OPEB liability | 277,521 | 187,543 | 246,938 | 218,126 | -- |
| Total Long-Term Liabilities | <u>\$ 25,210,749</u> | <u>\$ 239,848</u> | <u>\$ 6,784,907</u> | <u>\$ 18,665,690</u> | <u>\$ 1,985,868</u> |
| Business-type activities: | | | | | |
| General Obligation bonds/notes ⁽³⁾ | \$ 2,311,436 | \$ -- | \$ 660,897 | \$ 1,650,539 | \$ 675,000 |
| State Revolving Loan | 6,744,000 | -- | 262,000 | 6,482,000 | 271,000 |
| Compensated absences | 508,366 | 153,385 | 144,709 | 517,042 | 158,125 |
| Net pension liability | 1,598,715 | -- | 505,240 | 1,093,475 | -- |
| Total Long-Term Liabilities | <u>\$ 11,162,517</u> | <u>\$ 153,385</u> | <u>\$ 1,572,846</u> | <u>\$ 9,743,056</u> | <u>\$ 1,104,125</u> |

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

(2) Bonds/notes were sold at a discount; unamortized discount at June 30, 2015 totaled \$44,323.

(3) Bonds/notes were sold at a discount; unamortized discount at June 30, 2015 totaled \$9,461.

General Obligation Bonds/Notes

Five issues of unmatured general obligation bonds/notes totaling \$6,441,216, net of unamortized discount of \$53,784 are outstanding as of June 30, 2015. These notes bear interest at rates of .40% to 3.80%; mature in varying annual amounts through June 30, 2024; and were originally issued for \$16,710,000.

Details of general obligation bonds/notes payable at June 30, 2015 are as follows:

| | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Final Due Date</u> | <u>Annual Payments</u> | <u>Amount Originally Issued</u> | <u>Outstanding 30-Jun-15</u> |
|--|--------------------------|---------------------------|-------------------------------|----------------------------|---|----------------------------------|
| Governmental Activities: | | | | | | |
| General Obligation Capital Loan Notes | 4/28/2008 | 2.50-3.70% | 6/1/2018 | 385,000-450,000 | 4,820,000 | 1,295,000 |
| General obligation Capital Loan Notes | 12/23/2008 | 1.00-3.80% | 6/1/2024 | 165,000-380,000 | 3,440,000 | 2,415,000 |
| General Obligation refunding Capital Loan Notes | 4/23/2012 | .40-1.20% | 6/1/2018 | 360,000-935,000 | 3,320,000 | 1,125,000 |
| Total Governmental Activities | | | | | | <u>\$ 4,835,000</u> |
| Business Activities: | | | | | | |
| General Obligation Bonds' | 4/28/2008 | 2.30-3.70% | 6/1/2018 | 375,000-500,000 | 4,310,000 | 1,450,000 |
| General Obligation refunding Capital Loan Notes | 4/23/2012 | .40-.85% | 6/1/2016 | 195,000-210,000 | 820,000 | 210,000 |
| Total Business Activities | | | | | | <u>\$ 1,660,000</u> |

Annual debt service requirements to maturing for general obligation bonds/notes are as follows:

| Year Ending June 30, | Governmental Activities | | Business-type Activities | |
|-------------------------|-------------------------|-------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 1,070,000 | \$ 134,515 | \$ 675,000 | \$ 53,545 |
| 2017 | 1,145,000 | 109,555 | 485,000 | 35,718 |
| 2018 | 1,175,000 | 81,278 | 500,000 | 18,500 |
| 2019 | 365,000 | 49,718 | -- | -- |
| 2020 | 380,000 | 38,402 | -- | -- |
| 2020-2024 | 700,000 | 66,298 | -- | -- |
| Total | <u>\$ 4,835,000</u> | <u>\$ 479,766</u> | <u>\$ 1,660,000</u> | <u>\$ 107,763</u> |

State Revolving Loan

In July 2011, the City entered into a loan and disbursement agreement with the Iowa Finance Authority for the issuance of sewer revenue capital loan notes under the State Revolving Fund Program. These notes financed the major renovation project at the City's water treatment facility related to disinfection compliance. As of June 30, 2015, \$6,482,000 is outstanding. Annual debt service requirements to maturity for this loan are as follows:

| Year Ending June 30, | Business-type Activities | |
|-------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2016 | \$ 271,000 | \$ 210,665 |
| 2017 | 279,000 | 201,858 |
| 2018 | 288,000 | 192,790 |
| 2019 | 298,000 | 183,430 |
| 2020 | 308,000 | 173,745 |
| 2021-2025 | 1,696,000 | 711,945 |
| 2026-2030 | 1,988,000 | 417,917 |
| 2031-2033 | 1,354,000 | 88,953 |
| Total | <u>\$ 6,482,000</u> | <u>\$ 2,181,303</u> |

Debt Limitation

As of June 30, 2015, 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>\$ 2,791,722,436</u> |
| Debt limit - 5% of total actual valuation | \$ 139,586,122 |
| Debt applicable to debt limit: | |
| General obligation bonds/Capital loan notes | 6,495,000 |
| General obligation bonds - component unit | <u>1,275,000</u> |
| Legal debt margin | <u>\$ 131,816,122</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, 2015, the City had no arbitrage liability.

Non-Current Liabilities – Electric Utility

Non-Current liability activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|-------------------|---------------------|----------------------|-----------------------------------|
| Revenue Bonds: | | | | | |
| Series 2003 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Series 2005 | 19,180,000 | -- | 1,420,000 | 17,760,000 | 1,480,000 |
| Series 2007 | 14,110,000 | -- | 805,000 | 13,305,000 | 840,000 |
| Capital Loan Notes: | | | | | |
| Series 2010A | 8,790,000 | -- | 410,000 | 8,380,000 | 420,000 |
| Series 2010B | 6,720,000 | -- | 50,000 | 6,670,000 | 650,000 |
| Total bonds | 48,800,000 | -- | 2,685,000 | 46,115,000 | 3,390,000 |
| Less: Unamortized | | | | | |
| discount | 232,285 | -- | 15,851 | 216,434 | -- |
| Add: Unamortized | | | | | |
| premium | 341,719 | -- | 19,480 | 322,239 | -- |
| Total long-term debt | \$ 48,909,434 | \$ -- | \$ 2,688,629 | \$ 46,220,805 | \$ 3,390,000 |
| Compensated absences and net OPEB liability | 1,444,080 | 253,105 | 152,190 | 1,544,995 | -- |
| Total non-current liabilities | \$ <u>50,353,514</u> | \$ <u>253,105</u> | \$ <u>2,840,819</u> | \$ <u>47,765,800</u> | \$ <u>3,390,000</u> |

Revenue Bonds and Installment Agreements – Electric Utility

The Series 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 3.75% and 4.375%. 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 |
| 2015 | \$ 2,320,000 | \$ 1,290,343 |
| 2016 | 2,420,000 | 1,197,544 |
| 2017 | 2,525,000 | 1,100,744 |
| 2018 | 2,635,000 | 999,744 |
| 2019 | 2,745,000 | 893,131 |
| 2020-2024 | 15,610,000 | 2,660,281 |
| 2025-2026 | 2,810,000 | 185,938 |
| | <u>\$ 31,065,000</u> | <u>\$ 8,327,725</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.

| Year | Component Unit - Capital Loan Notes | |
|-----------|--|---------------------|
| | Principal | Interest |
| 2015 | \$ 1,070,000 | \$ 536,118 |
| 2016 | 1,100,000 | 507,267 |
| 2017 | 1,120,000 | 477,618 |
| 2018 | 1,155,000 | 447,442 |
| 2019 | 1,190,000 | 414,568 |
| 2020-2024 | 5,710,000 | 1,439,937 |
| 2025-2029 | 3,025,000 | 587,238 |
| 2030 | 680,000 | 32,300 |
| | <u>\$ 15,050,000</u> | <u>\$ 4,442,488</u> |

Non-Current Liabilities – Gas Utility

Non-Current liability activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|-----------|------------|-------------------|-----------------------------------|
| Compensated absences and net OPEB liability | \$ 296,554 | \$ 29,178 | \$ 51,025 | \$ 274,707 | \$ -- |

Non-Current Liabilities – Water Utility

Non-Current liability activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|-----------|------------|-------------------|-----------------------------------|
| Compensated absences and net OPEB liability | \$ 196,183 | \$ 22,870 | \$ 17,750 | \$ 201,303 | \$ -- |

Non-Current Liabilities – Communications Utility

Non-Current liability activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|------------------|---------------------|----------------------|-----------------------------------|
| Capital loan notes | | | | | |
| Series 2009 | \$ 1,440,000 | \$ -- | \$ 165,000 | \$ 1,275,000 | \$ 105,000 |
| Revenue capital loan notes | | | | | |
| Series 2009 | 2,310,000 | -- | 355,000 | 1,955,000 | 165,000 |
| Revenue capital loan notes | | | | | |
| Series 2010 | 10,050,000 | -- | 1,120,000 | 8,930,000 | 1,360,000 |
| | <u>\$ 13,800,000</u> | <u>\$ --</u> | <u>\$ 1,640,000</u> | <u>\$ 12,160,000</u> | <u>\$ 1,630,000</u> |
| Less: unamortized discount on debt | 5,651 | -- | 796 | 4,855 | -- |
| Add: unamortized premium on debt | 405,002 | -- | 46,375 | 358,627 | -- |
| Total long-term debt | \$ 14,199,351 | \$ -- | \$ 1,685,579 | \$ 12,513,772 | \$ 1,630,000 |
| Compensated absences and net OPEB liability | 225,899 | 74,368 | 34,530 | 265,737 | -- |
| Total non-current liabilities | <u>\$ 14,425,250</u> | <u>\$ 74,368</u> | <u>\$ 1,720,109</u> | <u>\$ 12,779,509</u> | <u>\$ 1,630,000</u> |

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 .75% and 3.80%. 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> |
| 2015 | \$ 105,000 | \$ 41,860 |
| 2016 | 110,000 | 39,340 |
| 2017 | 115,000 | 36,370 |
| 2018 | 120,000 | 33,035 |
| 2019 | 125,000 | 29,315 |
| 2020-2024 | 700,000 | 79,015 |
| | <u>\$ 1,275,000</u> | <u>\$ 258,935</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> |
| 2015 | \$ 1,525,000 | \$ 346,860 |
| 2016 | 1,570,000 | 301,110 |
| 2017 | 1,630,000 | 252,310 |
| 2018 | 1,690,000 | 201,660 |
| 2019 | 1,760,000 | 149,160 |
| 2020-2024 | 2,710,000 | 190,453 |
| | <u>\$ 10,885,000</u> | <u>\$ 1,441,553</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, 2013 outstanding balance on this loan was \$553,090, bearing interest as 2.0%. The Board of Trustees of the Municipal Gas Utility approved a loan to be extended to the Utility under Resolution No. 5077. The December 31, 2013 outstanding balance on this loan was \$2,400,000, bearing interest at 2.0%.

F. Pension Plan – IPERS

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

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

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$821,440.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$5,638,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was 0.1421628 percent which was a decrease of 0.0016590 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$355,372. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 60,707 | \$ -- |
| Changes of assumptions | 249,121 | -- |
| Net difference between projected and actual earnings on pension plan investments | -- | 2,159,956 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | -- | 290,242 |
| City contributions subsequent to the measurement date | 821,440 | -- |
| Total | <u>\$ 1,131,268</u> | <u>\$ 2,450,198</u> |

\$821,440 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Total |
|---------------------------|-----------------------|
| 2016 | \$ (535,413) |
| 2017 | (535,413) |
| 2018 | (535,413) |
| 2019 | (535,413) |
| 2020 | 1,282 |
| | <u>\$ (2,140,370)</u> |

There were no non-employer contributing entities at IPERS.

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

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

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

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

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|--------------------------|----------------------------|--------------------------|
| City's proportionate share of the net pension liability: | \$ 10,674,003 | \$ 5,638,043 | \$ 1,387,192 |

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

Payables to the Pension Plan – At June 30, 2015, the City reported no payables to the defined benefit pension plan for legally required employer contributions and legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Pension Plan Fiduciary Net Position – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$1,377,326.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$6,462,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 1.782771% which was an increase of .03075% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$566,816. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ -- | \$ 18,290 |
| Changes of assumptions | 477,644 | -- |
| Net difference between projected and actual earnings on pension plan investments | -- | 3,037,849 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 139,925 | -- |
| City contributions subsequent to the measurement date | 1,377,326 | -- |
| Total | <u>\$ 1,994,895</u> | <u>\$ 3,056,139</u> |

\$1,377,326 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Total |
|---------------------------|-----------------------|
| 2016 | \$ (629,184) |
| 2017 | (629,184) |
| 2018 | (629,184) |
| 2019 | (629,184) |
| 2020 | 78,166 |
| | <u>\$ (2,438,570)</u> |

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

| | |
|---------------------------|---|
| Rate of Inflation | 3.0 percent |
| Salary increases | 4.50 to 15.11 percent, including including inflation |
| Investment rate of return | 7.50 percent, net of pension plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Core Plus Fixed Income | 7.0 % | 3.8 % |
| Emerging Markets Debt | 3.0 | 6.5 |
| Domestic Equities | 12.5 | 6.0 |
| Master Limited Partnerships (MLP) | 5.0 | 8.5 |
| International Equities | <u>12.5</u> | 7.0 |
| Core Investments | 40.0 % | |
| Tactical Asset Allocation | 35.0 | 6.0 |
| Private Equity | 15.0 | 9.8 |
| Private Non-Core Real Estate | 5.0 | 9.3 |
| Private Core Real Estate | <u>5.0</u> | 6.8 |
| Real Estate | 10.0 | |
| Total | <u><u>100 %</u></u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|--------------------------|----------------------------|--------------------------|
| City's proportionate share of the net pension liability: | \$ 12,391,351 | \$ 6,462,513 | \$ 1,536,182 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to the Pension Plan - At June 30, 2015, the City reported payables to the defined benefit pension plan of \$104,241 for legally required employer contributions and \$32,222 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

G. Other Postemployment Benefits (OPEB)

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 nineteen retirees participating in the plan as of June 30th. 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. The majority of expenditures are paid for out of the General Fund.

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, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

| | |
|--|------------------|
| Annual required contribution | \$ 57,725 |
| Interest on net OPEB obligation | 17,157 |
| Adjustment to annual required contribution | <u>(15,199)</u> |
| Annual OPEB Cost | 59,683 |
| Net contributions | <u>(119,078)</u> |
| Decrease in net OPEB obligation | (65,618) |
| Net OPEB obligation beginning of year | <u>277,521</u> |
| Net OPEB obligation end of year | \$218,126 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2013. 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, 2015.

For the year ended June 30, 2015, the City paid \$246,938 for retiree health claims. Plan members eligible for benefits contributed \$127,860 or 100% of the premium costs. The net resulted in a \$119,078 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, 2015 are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed from City | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2015 | \$59,683 | 199.52% | \$218,126 |
| June 30, 2014 | \$ 59,683 | 209.94% | \$277,521 |
| June 30, 2013 | \$ 48,830 | (38.87%) | \$343,139 |

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$670,451, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$670,451. The covered payroll (annual payroll of active employees covered by the plan) was \$11,750,374 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2015, 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, 2013 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 8%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 3% is assumed for purposes of this computation.

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 \$692.25 per month for retirees less than age 65 and \$554.08 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

H. Interfund Balances

Individual interfund receivable and payable balances by fund type as of June 30, 2015, were stated in the fund financial statements as follows:

| Due to/from other funds: | Total | |
|-----------------------------|--------------|--------------------------|
| | Fund | Interfund Receivables |
| Bond Fund | \$ -- | \$ 4,921,339 |
| Nonmajor Governmental Funds | 4,931,230 | 9,891 |
| Total | \$ 4,931,230 | \$ 4,931,230 |

The balances are due to the elimination of reporting negative cash

| <u>Advances from/to other funds:</u> | <u>Total</u> | |
|--------------------------------------|-----------------------------------|-------------------------------------|
| <u>Fund</u> | <u>Advance to Other Funds</u> | <u>Advance from Other Funds</u> |
| Hospital Fund | \$ 11,295,000 | \$ -- |
| Capital Improvements Fund | 3,655,000 | -- |
| Sewer Fund | -- | 14,950,000 |
| Total | <u>\$ 14,950,000</u> | <u>\$ 14,950,000</u> |

The amount payable from the Sewer Fund to the Hospital Fund and the Capital Improvements Fund relates to internal financing for the large disinfection project at the City's water treatment facility and other City Sewer projects.

I. Interfund Transactions

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

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|------------------------------|------------------------------|-----------------------------|
| General Fund | TIF Fund | \$ 5,526 |
| | Capital Improvements Fund | 107,120 |
| | Non-major Governmental Funds | 296,647 |
| | Sewer Fund | 110,740 |
| | Refuse Fund | 142,290 |
| | Internal Service Funds | 6,650 |
| | | <u>\$ 668,973</u> |
| Hospital Fund | Sewer Fund | <u>\$ 19,997</u> |
| Debt Service Fund | TIF Fund | <u>\$ 148,938</u> |
| Capital Improvements Fund | General Fund | \$ 1,364,265 |
| | TIF Fund | 15,864 |
| | Non-major Governmental Funds | 88,542 |
| | Sewer Fund | 63,542 |
| | Refuse Fund | 63,542 |
| | Internal Service Funds | 63,542 |
| | <u>\$ 1,659,297</u> | |
| Bond Fund | General Fund | \$ 780,336 |
| | TIF Fund | 2,751,622 |
| | | <u>\$ 3,531,958</u> |
| Non-major Governmental Funds | General Fund | \$ 148,759 |
| | TIF Fund | 3,968,981 |
| | Storm Water | 64,119 |
| | Internal Service Funds | 23,612 |
| | | <u>\$ 4,205,471</u> |
| Sewer Fund | TIF Fund | \$ 618,736 |
| | Non-major Governmental Funds | 50,000 |
| | | <u>\$ 668,736</u> |
| Refuse Fund | General Fund | \$ 2,619 |
| | Non-major Governmental Funds | 149,610 |
| | Sewer Fund | 147,610 |
| | | <u>\$ 299,839</u> |
| Internal Service Funds | General Fund | \$ 299,070 |
| | Non-major Governmental Funds | 66,782 |
| | | <u>\$ 365,852</u> |
| | Total | <u><u>\$ 11,569,061</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.

J. Accounting Change/Restatement

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

| | Governmental Activities | Business Type Activities | | | Internal Service |
|--|----------------------------|--------------------------|----------------------|----------------------|----------------------|
| | | Sewer | Refuse | Storm Water | |
| Net position June 30, 2014, as previously reported | \$ 244,938,176 | \$ 42,686,973 | \$ 16,208,693 | \$ 14,362,040 | \$ 15,251,182 |
| Net pension liability at June 30, 2014 | (16,364,599) | (727,139) | (694,950) | (176,626) | (470,453) |
| Change in outflows of resources related to contributions made after the June 30, 2013 measurement date | 2,044,892 | 73,279 | 70,035 | 17,800 | 47,411 |
| Net position July 1, 2014, as restated | <u>\$ 230,618,469</u> | <u>\$ 42,033,113</u> | <u>\$ 15,583,778</u> | <u>\$ 14,203,214</u> | <u>\$ 14,828,140</u> |

Note 4. Other Notes

A. Due To/From Component Unit

Amounts due from the component unit to the general fund at June 30, 2015, were as follows:

| | Due from |
|-----------------------|-------------------|
| Component Unit: | |
| Electric utility | \$ 800,000 |
| Gas utility | 100,000 |
| Communication utility | 17,500 |
| Total | <u>\$ 917,500</u> |

This amount differs from the amount reported as due to primary government since the Electric Utility, Gas Utility, and Communications Utility component units have a calendar year end of December 31, 2014.

B. 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 \$3,383,978 for 2015. 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, 2015, 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, 2013 | \$ 382,525 | \$ 197,339 | \$ -- | \$ -- | \$ 579,864 |
| Claims and changes in estimates during fiscal year 2014 | 2,587,618 | 115,113 | -- | -- | 2,702,731 |
| Claim payments | (2,582,733) | (202,132) | -- | -- | (2,784,865) |
| Claim liabilities | | | | | |
| June 30, 2014 | \$ 387,410 | \$ 110,320 | \$ -- | \$ -- | \$ 497,730 |
| Claims and changes in estimates during fiscal year 2015 | 2,609,247 | 320,999 | -- | -- | 2,930,246 |
| Claim payments | (2,610,216) | (102,665) | -- | -- | (2,712,881) |
| Claim liabilities | | | | | |
| June 30, 2015 | <u>\$ 386,441</u> | <u>\$ 328,654</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 715,095</u> |

C. Commitments and Contingencies

Legal counsel has reported that as of June 30, 2015, 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.

D. 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 may impact the City are as follows:

Statement No. 72, *Fair Value Measurement*, issued February 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purpose, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015, will be effective for the fiscal year ending June 30, 2016. The objective

of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees are provided with pensions that are not within the scope of Statement 68.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of governments. This Statement replaces Statement 43 and 57.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, issued June 2015, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve the accounting and financial reporting of governments for postemployment benefits other than pensions. This Statement replaces Statement 45 and 57.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP).

Statement No. 77, *Tax Abatement Disclosures*, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

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

City of Cedar Falls, Iowa
Budgetary Comparison Schedule - Function Budget
For the Year Ended June 30, 2015

| | Budgeted Amounts | |
|--|----------------------|-----------------------|
| | Original | Final |
| Revenues: | | |
| Property taxes and assessments | \$ 25,118,781 | \$ 25,118,781 |
| Other City taxes | 5,714,761 | 5,743,261 |
| Licenses and permits | 1,027,500 | 1,027,500 |
| Use of money and property | 952,590 | 954,390 |
| Intergovernmental | 9,758,295 | 10,969,095 |
| Charges for services | 12,051,150 | 12,199,905 |
| Miscellaneous | 1,691,403 | 4,224,853 |
| Total revenues | \$ 56,314,480 | \$ 60,237,785 |
| Expenditures: | | |
| Current: | | |
| Public safety | \$ 10,655,600 | \$ 10,728,350 |
| Public works | 8,986,230 | 10,306,230 |
| Health and social services | 159,500 | 159,500 |
| Culture and recreation | 7,699,920 | 7,872,955 |
| Community and economic development | 2,716,890 | 2,817,599 |
| General government | 4,344,790 | 4,363,320 |
| Debt service | 1,949,830 | 1,949,830 |
| Capital projects | 6,836,120 | 12,957,920 |
| Business-type | 11,684,650 | 13,672,190 |
| Total expenditures | \$ 55,033,530 | \$ 64,827,894 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,280,950 | \$ (4,590,109) |
| Other financing sources (uses): | | |
| Proceeds from long-term debt | \$ 1,632,300 | \$ 2,932,300 |
| Transfers in | 16,541,090 | 16,541,090 |
| Transfers out | (16,541,090) | (16,541,090) |
| Total other financing sources (uses) | \$ 1,632,300 | \$ 2,932,300 |
| Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses | \$ 2,913,250 | \$ (1,657,809) |
| Fund balances, beginning | 59,598,885 | 59,598,885 |
| Fund balances, ending | \$ 62,512,135 | \$ 57,941,076 |

See notes to the required supplementary information.

| Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------|---|
| \$ 25,052,149 | \$ (66,632) |
| 5,835,893 | 92,632 |
| 968,542 | (58,958) |
| 913,500 | (40,890) |
| 30,891,681 | 19,922,586 |
| 11,864,800 | (335,105) |
| 3,780,370 | (444,483) |
| <u>\$ 79,306,935</u> | <u>\$ 19,069,150</u> |
| | |
| \$ 9,735,604 | \$ 992,746 |
| 9,925,717 | 380,513 |
| 130,856 | 28,644 |
| 6,936,017 | 936,938 |
| 2,531,301 | 286,298 |
| 3,675,787 | 687,533 |
| 1,197,415 | 752,415 |
| 10,918,527 | 2,039,393 |
| 9,561,213 | 4,110,977 |
| <u>\$ 54,612,437</u> | <u>\$ 10,215,457</u> |
| <u>\$ 24,694,498</u> | <u>\$ 29,284,607</u> |
| | |
| \$ -- | \$ (2,932,300) |
| 15,089,598 | (1,451,492) |
| (15,089,598) | 1,451,492 |
| <u>\$ --</u> | <u>\$ (2,932,300)</u> |
| | |
| \$ 24,694,498 | \$ 26,352,307 |
| 61,249,229 | 1,650,344 |
| <u>\$ 85,943,727</u> | <u>\$ 28,002,651</u> |

City of Cedar Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting For the Year ended June 30, 2015

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 \$9,794,364. This budget amendment is 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

| | <u>Function Budget</u> |
|--|----------------------------|
| Sources | |
| Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule - function budget | \$ 79,306,935 |
| Adjustments: | |
| The City budgets for all receipts on the cash basis, rather than the modified accrual or accrual basis | (1,469,901) |
| Total revenues for the function budget on a GAAP basis of accounting | \$ 77,837,034 |
| 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 | (1,062,729) |
| Capital Improvements Fund | (2,095,843) |
| Street Improvement Fund | (20,096,892) |
| Bond capital projects Fund | (651,030) |
| Nonmajor governmental GAAP funds | (8,855,101) |
| Business-type enterprise funds | (8,752,916) |
| Total revenues for general fund and major special revenue funds | <u>\$ 36,322,523</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds: | |
| General Fund | \$ 23,100,606 |
| Hospital Fund | 466,308 |
| TIF Fund | 7,559,012 |
| Street Repair Fund | 5,196,597 |
| Total revenues for general fund and major special revenue funds | <u>\$ 36,322,523</u> |

| | <u>Function Budget</u> |
|---|----------------------------|
| Uses | |
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule - function budget | \$ 54,612,437 |
| Adjustments | |
| The City budgets for expenditures on the cash basis, rather than on the modified accrual or accrual basis on all items except payments to suppliers | |
| The City does not budget for depreciation | (3,749,974) |
| Total uses for the function budget on a GAAP basis of accounting | <u>\$ 50,862,463</u> |
| Reclassifications: | |
| The City reports uses of funds in the function budget as expenditures in other major and nonmajor funds for GAAP reporting: | |
| Debt Service Fund | (1,196,875) |
| Capital Improvements Fund | (642,283) |
| Street Improvement Fund | (1,445,479) |
| Bond capital projects Fund | (3,901,425) |
| Nonmajor governmental GAAP funds | (9,722,089) |
| Business-type enterprise funds | (7,737,102) |
| Total expenditures for general fund and major special revenue funds | <u>\$ 26,217,210</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds: | |
| General Fund | \$ 20,832,452 |
| Hospital Fund | 137,853 |
| TIF Fund | --- |
| Street Repair Fund | 5,246,905 |
| Total expenditures for general fund and major special revenue funds | <u>\$ 26,217,210</u> |

City of Cedar Falls, Iowa

Schedule of the City's Proportionate Share of the Net Pension Liability

**Iowa Public Employees' Retirement System
June 30, 2015**

| | <u>2015</u> |
|---|--------------|
| City's proportion of the net pension liability (asset) | 0.1421628 % |
| City's proportionate share of the net pension liability | \$ 5,638,043 |
| City's covered-employee payroll | \$ 9,346,040 |
| City's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 60.33 % |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61 % |

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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

City of Cedar Falls, Iowa

Schedule of City Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years**

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 821,440 | \$ 834,065 | \$ 823,374 | \$ 771,437 |
| Contributions in relation to the statutorily required contribution | (821,440) | (834,065) | (823,374) | (771,437) |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| City's covered - employee payroll | \$ 9,218,654 | \$ 9,346,040 | \$ 9,490,561 | \$ 9,560,570 |
| Contributions as a percentage of covered - employee payroll | 8.91% | 8.92% | 8.68% | 8.07% |

See accompanying independent auditor's report.

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 619,003 | \$ 581,707 | \$ 548,622 | \$ 507,597 | \$ 458,555 | \$ 432,863 |
| (619,003) | (581,707) | (548,622) | (507,597) | (458,555) | (432,863) |
| <u>\$ ---</u> |
| \$ 8,915,266 | \$ 8,754,353 | \$ 8,639,602 | \$ 8,389,888 | \$ 7,980,922 | \$ 7,509,822 |
| 6.94% | 6.64% | 6.35% | 6.05% | 5.75% | 5.76% |

City of Cedar Falls, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Iowa Public Employees' Retirement System:

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

City of Cedar Falls, Iowa

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Cedar Falls, Iowa

Schedule of the City's Proportionate Share of the Net Pension Liability

**Municipal Fire and Police Retirement System of Iowa
June 30, 2015**

| | <u>2015</u> |
|---|--------------|
| City's proportion of the net pension liability (asset) | 1.782771 % |
| City's proportionate share of the net pension liability | \$ 6,462,513 |
| City's covered-employee payroll | \$ 4,552,662 |
| City's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 141.95 % |
| Plan fiduciary net position as a percentage of the total pension liability | 86.27 % |

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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

City of Cedar Falls, Iowa

Schedule of City Contributions

**Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years**

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 1,377,326 | \$ 1,371,261 | \$ 1,144,556 | \$ 1,080,516 |
| Contributions in relation to the statutorily required contribution | (1,377,326) | (1,371,261) | (1,144,556) | (1,080,516) |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| City's covered - employee payroll | \$ 4,529,187 | \$ 4,552,662 | \$ 4,381,915 | \$ 4,363,958 |
| Contributions as a percentage of covered - employee payroll | 30.41% | 30.12% | 26.12% | 24.76% |

See accompanying independent auditor's report.

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 792,888 | \$ 666,649 | \$ 699,619 | \$ 931,069 | \$ 967,811 | \$ 961,066 |
| (792,888) | (666,649) | (699,619) | (931,069) | (967,811) | (961,066) |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| \$ 3,984,367 | \$ 3,921,467 | \$ 3,731,295 | \$ 3,654,118 | \$ 3,487,612 | \$ 3,406,825 |
| 19.90% | 17.00% | 18.75% | 25.48% | 27.75% | 28.21% |

City of Cedar Falls, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Municipal Fire and Police Retirement System of Iowa:

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Cedar Falls, Iowa
Schedule of Funding Progress for the
Cedar Falls Health Plan
June 30, 2015

| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL As a Percentage of Covered Payroll |
|--------------------|---------------------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| 2010 | July 1, 2009 | - | 671,926 | 671,926 | 0.0% | 10,707,080 | 6.3% |
| 2012 | July 1, 2011 | - | 525,162 | 525,162 | 0.0% | 11,327,306 | 4.6% |
| 2014 | July 1, 2013 | - | 670,451 | 670,451 | 0.0% | 11,750,374 | 5.7% |

City of Cedar Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 1 of 2)

| | Community Development Fund | Housing Assistance Fund |
|--|----------------------------------|-------------------------------|
| ASSETS | | |
| Cash | \$ 84,120 | \$ 505,763 |
| 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 | 26,058 | -- |
| Inventories | -- | -- |
| Total assets | \$ 110,178 | \$ 505,763 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | \$ 4,586 | \$ 773 |
| Accrued liabilities | 1,836 | 1,444 |
| Due to other funds | -- | -- |
| Total liabilities | \$ 6,422 | \$ 2,217 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Succeeding year property taxes | \$ -- | \$ -- |
| Other | 14 | -- |
| Total deferred inflows of resources | \$ 14 | \$ -- |
| FUND BALANCES | | |
| Nonspendable | \$ -- | \$ -- |
| Restricted | 103,742 | 503,546 |
| Committed | -- | -- |
| Assigned | -- | -- |
| Unassigned | -- | -- |
| Total fund balances | \$ 103,742 | \$ 503,546 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 110,178 | \$ 505,763 |

Special Revenue

| Parking Fund | Police Retirement | Fire Retirement | Visitor & Tourism |
|-------------------|----------------------|---------------------|----------------------|
| \$ 867,466 | \$ 2,961,307 | \$ 2,644,833 | \$ 766,612 |
| -- | 769,479 | 679,588 | -- |
| -- | -- | -- | 116,867 |
| 776 | 1,699 | 1,710 | 581 |
| -- | -- | -- | -- |
| -- | -- | -- | 4,850 |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| 3,263 | -- | -- | 24,132 |
| <u>\$ 871,505</u> | <u>\$ 3,732,485</u> | <u>\$ 3,326,131</u> | <u>\$ 913,042</u> |
| \$ 3,310 | \$ 11,224 | \$ 1,440 | \$ 41,109 |
| 1,579 | -- | -- | 5,110 |
| -- | -- | -- | -- |
| <u>\$ 4,889</u> | <u>\$ 11,224</u> | <u>\$ 1,440</u> | <u>\$ 46,219</u> |
| \$ -- | \$ 763,668 | \$ 675,411 | \$ -- |
| -- | -- | -- | -- |
| <u>\$ --</u> | <u>\$ 763,668</u> | <u>\$ 675,411</u> | <u>\$ --</u> |
| \$ 3,263 | \$ -- | \$ -- | \$ 24,132 |
| -- | 2,957,593 | 2,649,280 | 842,691 |
| 863,353 | -- | -- | -- |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| <u>\$ 866,616</u> | <u>\$ 2,957,593</u> | <u>\$ 2,649,280</u> | <u>\$ 866,823</u> |
| <u>\$ 871,505</u> | <u>\$ 3,732,485</u> | <u>\$ 3,326,131</u> | <u>\$ 913,042</u> |

(continued)

City of Cedar Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 2 of 2)

| | Special Revenue | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | Street Construction Fund | Greenwood Perpetual Care | Fairview Perpetual Care |
| ASSETS | | | |
| Cash | \$ 6,180,996 | \$ 214,294 | \$ 127,098 |
| 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 | 403,717 | --- | --- |
| Inventories | 435,121 | --- | --- |
| Total assets | <u>\$ 7,019,834</u> | <u>\$ 214,294</u> | <u>\$ 127,098</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 31,747 | \$ -- | \$ -- |
| Accrued liabilities | 42,452 | --- | --- |
| Due to other funds | --- | --- | --- |
| Total liabilities | <u>\$ 74,199</u> | <u>\$ --</u> | <u>\$ --</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Succeeding year property taxes | \$ -- | \$ -- | \$ -- |
| Other | --- | --- | --- |
| Total deferred inflows of resources | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| FUND BALANCES | | | |
| Nonspendable | \$ 435,121 | \$ -- | \$ -- |
| Restricted | 6,510,514 | 214,294 | 127,098 |
| Committed | --- | --- | --- |
| Assigned | --- | --- | --- |
| Unassigned | --- | --- | --- |
| Total fund balances | <u>\$ 6,945,635</u> | <u>\$ 214,294</u> | <u>\$ 127,098</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 7,019,834</u> | <u>\$ 214,294</u> | <u>\$ 127,098</u> |

(continued)

| Hillside Perpetual Care | Capital Projects | | | Economic Development Capital | Total |
|-------------------------------|----------------------------------|---------------------|------------------------|------------------------------------|----------------------|
| | Washington Park Renovation | FEMA Fund | Sidewalk Assessment | | |
| \$ 40,528 | \$ 30,898 | \$ 2,846,888 | \$ -- | \$ 2,447,839 | \$ 19,718,642 |
| -- | -- | -- | -- | -- | 1,449,067 |
| -- | -- | -- | -- | -- | 116,867 |
| -- | 26 | 1,187 | -- | 4,018 | 9,997 |
| -- | -- | -- | 21,048 | -- | 21,048 |
| -- | -- | -- | -- | -- | 4,850 |
| -- | -- | -- | -- | 4,931,230 | 4,931,230 |
| -- | -- | -- | -- | -- | 429,775 |
| -- | -- | -- | -- | -- | 462,516 |
| <u>\$ 40,528</u> | <u>\$ 30,924</u> | <u>\$ 2,848,075</u> | <u>\$ 21,048</u> | <u>\$ 7,383,087</u> | <u>\$ 27,143,992</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ 1,182,572 | \$ 1,276,761 |
| -- | -- | -- | -- | -- | 52,421 |
| -- | -- | -- | 9,891 | -- | 9,891 |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 9,891</u> | <u>\$ 1,182,572</u> | <u>\$ 1,339,073</u> |
| \$ -- | \$ -- | \$ -- | \$ 18,344 | \$ -- | \$ 1,457,423 |
| -- | -- | -- | -- | -- | 14 |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 18,344</u> | <u>\$ --</u> | <u>\$ 1,457,437</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 462,516 |
| 40,528 | -- | -- | -- | -- | 13,949,286 |
| -- | -- | -- | -- | -- | 863,353 |
| -- | 30,924 | 2,848,075 | -- | 6,200,515 | 9,079,514 |
| -- | -- | -- | (7,187) | -- | (7,187) |
| <u>\$ 40,528</u> | <u>\$ 30,924</u> | <u>\$ 2,848,075</u> | <u>\$ (7,187)</u> | <u>\$ 6,200,515</u> | <u>\$ 24,347,482</u> |
| <u>\$ 40,528</u> | <u>\$ 30,924</u> | <u>\$ 2,848,075</u> | <u>\$ 21,048</u> | <u>\$ 7,383,087</u> | <u>\$ 27,143,992</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, 2015
(Page 1 of 2)

| | Community Development Fund | Housing Assistance Fund |
|--|----------------------------------|-------------------------------|
| Revenues: | | |
| Property taxes and assessments | \$ -- | \$ -- |
| Other city taxes | -- | -- |
| Use of money and property | -- | 4,063 |
| Intergovernmental | 436,299 | 921,769 |
| Charges for services | -- | -- |
| Fines and forfeitures | -- | -- |
| Miscellaneous | -- | 11,671 |
| Total revenues | <u>\$ 436,299</u> | <u>\$ 937,503</u> |
| Expenditures: | | |
| Current: | | |
| Public safety | \$ -- | \$ -- |
| Public works | -- | -- |
| Culture and recreation | -- | -- |
| Community and economic development | 435,169 | 1,076,094 |
| Capital projects | -- | -- |
| Total expenditures | <u>\$ 435,169</u> | <u>\$ 1,076,094</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,130</u> | <u>\$ (138,591)</u> |
| Other financing sources (uses): | | |
| Transfers in | \$ -- | \$ -- |
| Transfers out | -- | -- |
| Total other financing sources (uses) | <u>\$ --</u> | <u>\$ --</u> |
| Net change in fund balances | \$ 1,130 | \$ (138,591) |
| Fund balances, beginning | 102,612 | 642,137 |
| Increase (decrease) in reserve for inventories | -- | -- |
| Fund balances, ending | <u><u>\$ 103,742</u></u> | <u><u>\$ 503,546</u></u> |

Special Revenue

| Parking Fund | Police Retirement | Fire Retirement | Visitor & Tourism |
|--------------------|----------------------|---------------------|----------------------|
| \$ -- | \$ 1,050,996 | \$ 766,917 | \$ -- |
| -- | -- | -- | 554,416 |
| 3,945 | 27,474 | 30,255 | 8,891 |
| -- | -- | -- | -- |
| 45,551 | -- | -- | -- |
| 129,199 | -- | -- | -- |
| -- | 166 | 523 | 29,626 |
| <u>\$ 178,695</u> | <u>\$ 1,078,636</u> | <u>\$ 797,695</u> | <u>\$ 592,933</u> |
| \$ -- | \$ 864,186 | \$ 619,376 | \$ -- |
| 134,734 | -- | -- | -- |
| -- | -- | -- | 386,276 |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| <u>\$ 134,734</u> | <u>\$ 864,186</u> | <u>\$ 619,376</u> | <u>\$ 386,276</u> |
| <u>\$ 43,961</u> | <u>\$ 214,450</u> | <u>\$ 178,319</u> | <u>\$ 206,657</u> |
| \$ -- | \$ -- | \$ -- | \$ 78,759 |
| (12,770) | -- | -- | (14,597) |
| <u>\$ (12,770)</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 64,162</u> |
| \$ 31,191 | \$ 214,450 | \$ 178,319 | \$ 270,819 |
| 836,009 | 2,743,143 | 2,470,961 | 595,376 |
| (584) | -- | -- | 628 |
| <u>\$ 866,616</u> | <u>\$ 2,957,593</u> | <u>\$ 2,649,280</u> | <u>\$ 866,823</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, 2015
(Page 2 of 2)

| | Special Revenue | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | Street Construction Fund | Greenwood Perpetual Care | Fairview Perpetual Care |
| Revenues: | | | |
| Property taxes and assessments | \$ -- | \$ -- | \$ -- |
| Other city taxes | -- | -- | -- |
| Use of money and property | -- | -- | -- |
| Intergovernmental | 4,183,453 | -- | -- |
| Charges for services | -- | 5,300 | 3,960 |
| Fines and forfeitures | -- | -- | -- |
| Miscellaneous | 7,608 | -- | -- |
| Total revenues | \$ 4,191,061 | \$ 5,300 | \$ 3,960 |
| Expenditures: | | | |
| Current: | | | |
| Public safety | \$ -- | \$ -- | \$ -- |
| Public works | 3,088,870 | -- | -- |
| Culture and recreation | -- | -- | -- |
| Community and economic development | -- | -- | -- |
| Capital projects | -- | -- | -- |
| Total expenditures | \$ 3,088,870 | \$ -- | \$ -- |
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,102,191 | \$ 5,300 | \$ 3,960 |
| Other financing sources (uses): | | | |
| Transfers in | \$ 87,731 | \$ -- | \$ -- |
| Transfers out | (559,214) | -- | -- |
| Total other financing sources (uses) | \$ (471,483) | \$ -- | \$ -- |
| Net change in fund balances | \$ 630,708 | \$ 5,300 | \$ 3,960 |
| Fund balances, beginning | 6,110,195 | 208,994 | 123,138 |
| Increase (decrease) in reserve for inventories | 204,732 | -- | -- |
| Fund balances, ending | \$ 6,945,635 | \$ 214,294 | \$ 127,098 |

(continued)

| Capital Projects | | | | | |
|-------------------------------|----------------------------------|---------------------|------------------------|------------------------------------|----------------------|
| Hillside Perpetual Care | Washington Park Renovation | FEMA Fund | Sidewalk Assessment | Economic Development Capital | Total |
| \$ -- | \$ -- | \$ -- | \$ 11,162 | \$ -- | \$ 1,829,075 |
| -- | -- | -- | -- | -- | 554,416 |
| -- | 139 | 6,281 | -- | 118,491 | 199,539 |
| -- | -- | 66,371 | -- | -- | 5,607,892 |
| 930 | -- | -- | -- | -- | 55,741 |
| -- | -- | -- | -- | -- | 129,199 |
| -- | -- | 70,800 | 7,469 | 351,376 | 479,239 |
| <u>\$ 930</u> | <u>\$ 139</u> | <u>\$ 143,452</u> | <u>\$ 18,631</u> | <u>\$ 469,867</u> | <u>\$ 8,855,101</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 1,483,562 |
| -- | -- | -- | -- | -- | 3,223,604 |
| -- | -- | -- | -- | -- | 386,276 |
| -- | -- | -- | -- | -- | 1,511,263 |
| -- | -- | 70,800 | 9,016 | 3,037,568 | 3,117,384 |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ 70,800</u> | <u>\$ 9,016</u> | <u>\$ 3,037,568</u> | <u>\$ 9,722,089</u> |
| <u>\$ 930</u> | <u>\$ 139</u> | <u>\$ 72,652</u> | <u>\$ 9,615</u> | <u>\$ (2,567,701)</u> | <u>\$ (866,988)</u> |
| \$ -- | \$ -- | \$ 1,040,000 | \$ -- | \$ 2,998,981 | \$ 4,205,471 |
| -- | -- | (65,000) | -- | -- | (651,581) |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ 975,000</u> | <u>\$ --</u> | <u>\$ 2,998,981</u> | <u>\$ 3,553,890</u> |
| \$ 930 | \$ 139 | \$ 1,047,652 | \$ 9,615 | \$ 431,280 | \$ 2,686,902 |
| 39,598 | 30,785 | 1,800,423 | (16,802) | 5,769,235 | 21,455,804 |
| -- | -- | -- | -- | -- | 204,776 |
| <u>\$ 40,528</u> | <u>\$ 30,924</u> | <u>\$ 2,848,075</u> | <u>\$ (7,187)</u> | <u>\$ 6,200,515</u> | <u>\$ 24,347,482</u> |

City of Cedar Falls, Iowa
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

| | Health Insurance | Health Insurance Severance | Payroll |
|---|---------------------|-------------------------------|--------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 6,104,892 | \$ 100,487 | \$ 2,015,395 |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Accrued interest | 5,228 | -- | 2,293 |
| Other | 947 | -- | -- |
| Inventories | -- | -- | -- |
| Total current assets | \$ 6,111,067 | \$ 100,487 | \$ 2,017,688 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Buildings | \$ -- | \$ -- | \$ -- |
| Machinery and equipment | -- | -- | -- |
| Accumulated depreciation | -- | -- | -- |
| Total noncurrent assets | \$ -- | \$ -- | \$ -- |
| Total assets | \$ 6,111,067 | \$ 100,487 | \$ 2,017,688 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | \$ -- | \$ -- | \$ -- |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 75,241 | \$ 101,036 | \$ 151,692 |
| Accrued liabilities | 386,441 | -- | -- |
| Compensated absences due within one year | -- | -- | -- |
| Total current liabilities | \$ 461,682 | \$ 101,036 | \$ 151,692 |
| Noncurrent liabilities: | | | |
| Compensated absences after one year | \$ -- | \$ -- | \$ -- |
| Net pension liability | -- | -- | -- |
| Total noncurrent liabilities | \$ -- | \$ -- | \$ -- |
| Total liabilities | \$ 461,682 | \$ 101,036 | \$ 151,692 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows | \$ -- | \$ -- | \$ -- |
| NET POSITION | | | |
| Investment in capital assets | \$ -- | \$ -- | \$ -- |
| Unrestricted | 5,649,385 | (549) | 1,865,996 |
| Total net position | \$ 5,649,385 | \$ (549) | \$ 1,865,996 |

| <u>Risk Management</u> | <u>Data Processing</u> | <u>Vehicle Maintenance</u> | <u>Total</u> |
|------------------------|------------------------|----------------------------|----------------------|
| \$ 3,449,473 | \$ 1,126,849 | \$ 1,374,064 | \$ 14,171,160 |
| 2,646 | 935 | 1,211 | 12,313 |
| -- | -- | 7,470 | 8,417 |
| -- | 3,131 | 42,049 | 45,180 |
| <u>\$ 3,452,119</u> | <u>\$ 1,130,915</u> | <u>\$ 1,424,794</u> | <u>\$ 14,237,070</u> |
| \$ -- | \$ -- | \$ 90,302 | \$ 90,302 |
| -- | 1,339,349 | 6,308,144 | 7,647,493 |
| -- | (1,117,494) | (4,249,838) | (5,367,332) |
| <u>\$ --</u> | <u>\$ 221,855</u> | <u>\$ 2,148,608</u> | <u>\$ 2,370,463</u> |
| <u>\$ 3,452,119</u> | <u>\$ 1,352,770</u> | <u>\$ 3,573,402</u> | <u>\$ 16,607,533</u> |
| \$ -- | \$ 34,436 | \$ 36,905 | \$ 71,341 |
| \$ 48,306 | \$ 17,171 | \$ 105,795 | \$ 499,241 |
| 328,654 | 11,436 | 11,760 | 738,291 |
| -- | 29,205 | 19,128 | 48,333 |
| <u>\$ 376,960</u> | <u>\$ 57,812</u> | <u>\$ 136,683</u> | <u>\$ 1,285,865</u> |
| \$ -- | \$ 35,787 | \$ 27,144 | \$ 62,931 |
| -- | 164,840 | 156,936 | 321,776 |
| <u>\$ --</u> | <u>\$ 200,627</u> | <u>\$ 184,080</u> | <u>\$ 384,707</u> |
| <u>\$ 376,960</u> | <u>\$ 258,439</u> | <u>\$ 320,763</u> | <u>\$ 1,670,572</u> |
| \$ -- | \$ 71,308 | \$ 67,889 | \$ 139,197 |
| \$ -- | \$ 221,855 | \$ 2,148,608 | \$ 2,370,463 |
| 3,075,159 | 835,604 | 1,073,047 | 12,498,642 |
| <u>\$ 3,075,159</u> | <u>\$ 1,057,459</u> | <u>\$ 3,221,655</u> | <u>\$ 14,869,105</u> |

City of Cedar Falls, Iowa
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2015

| | <u>Health Insurance</u> | <u>Health Insurance Severance</u> | <u>Payroll</u> |
|-----------------------------------|-----------------------------|---------------------------------------|---------------------|
| Operating revenues: | | | |
| Charges for services | \$ 2,731,405 | \$ 96,232 | \$ 291,090 |
| Other | 127,310 | -- | 8,684 |
| Total operating revenues | <u>\$ 2,858,715</u> | <u>\$ 96,232</u> | <u>\$ 299,774</u> |
| Operating expenses: | | | |
| Personal services | \$ -- | \$ -- | \$ 376,626 |
| Contractual services | 2,930,408 | 96,781 | -- |
| Supplies and equipment | -- | -- | -- |
| Depreciation | -- | -- | -- |
| Total operating expenses | <u>\$ 2,930,408</u> | <u>\$ 96,781</u> | <u>\$ 376,626</u> |
| Operating income (loss) | <u>\$ (71,693)</u> | <u>\$ (549)</u> | <u>\$ (76,852)</u> |
| Nonoperating revenues (expenses): | | | |
| Use of money and property | \$ 28,128 | \$ -- | \$ 10,619 |
| Loss on disposal of equipment | -- | -- | -- |
| Nonoperating revenues (expenses) | <u>\$ 28,128</u> | <u>\$ --</u> | <u>\$ 10,619</u> |
| Income (loss) before transfers | <u>\$ (43,565)</u> | <u>\$ (549)</u> | <u>\$ (66,233)</u> |
| Transfers in | \$ -- | \$ -- | \$ -- |
| Transfers out | -- | -- | -- |
| Transfers, net | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Change in net position | \$ (43,565) | \$ (549) | \$ (66,233) |
| Net position, beginning restated | 5,692,950 | -- | 1,932,229 |
| Net position, ending | <u>\$ 5,649,385</u> | <u>\$ (549)</u> | <u>\$ 1,865,996</u> |

| <u>Risk Management</u> | <u>Data Processing</u> | <u>Vehicle Maintenance</u> | <u>Total</u> |
|------------------------|------------------------|----------------------------|----------------------|
| \$ 625,941 | \$ 876,542 | \$ 2,049,540 | \$ 6,670,750 |
| 46,716 | 8,550 | 85,161 | 276,421 |
| <u>\$ 672,657</u> | <u>\$ 885,092</u> | <u>\$ 2,134,701</u> | <u>\$ 6,947,171</u> |
| \$ -- | \$ 379,747 | \$ 443,111 | \$ 1,199,484 |
| 1,069,365 | 223,188 | 202,435 | 4,522,177 |
| -- | 119,592 | 986,454 | 1,106,046 |
| -- | 87,237 | 289,390 | 376,627 |
| <u>\$ 1,069,365</u> | <u>\$ 809,764</u> | <u>\$ 1,921,390</u> | <u>\$ 7,204,334</u> |
| <u>\$ (396,708)</u> | <u>\$ 75,328</u> | <u>\$ 213,311</u> | <u>\$ (257,163)</u> |
| \$ 14,104 | \$ 4,873 | \$ 5,748 | \$ 63,472 |
| -- | -- | (37,392) | (37,392) |
| <u>\$ 14,104</u> | <u>\$ 4,873</u> | <u>\$ (31,644)</u> | <u>\$ 26,080</u> |
| <u>\$ (382,604)</u> | <u>\$ 80,201</u> | <u>\$ 181,667</u> | <u>\$ (231,083)</u> |
| \$ 299,070 | \$ 8,000 | \$ 58,782 | \$ 365,852 |
| (6,650) | -- | (87,154) | (93,804) |
| <u>\$ 292,420</u> | <u>\$ 8,000</u> | <u>\$ (28,372)</u> | <u>\$ 272,048</u> |
| \$ (90,184) | \$ 88,201 | \$ 153,295 | \$ 40,965 |
| 3,165,343 | 969,258 | 3,068,360 | 14,828,140 |
| <u>\$ 3,075,159</u> | <u>\$ 1,057,459</u> | <u>\$ 3,221,655</u> | <u>\$ 14,869,105</u> |

City of Cedar Falls, Iowa
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

| | Health Insurance | Health Insurance Severance |
|---|---------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from interfund services | \$ 2,731,405 | \$ 96,232 |
| Payments to suppliers | (2,780,416) | -- |
| Payments to employees | -- | (9,194) |
| Net cash provided by (used for) operating activities | \$ (49,011) | \$ 87,038 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | \$ -- | \$ -- |
| Transfers to other funds | -- | -- |
| Net cash provided by (used for) financing activities | \$ -- | \$ -- |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Net acquisition of property and equipment | \$ -- | \$ -- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investments | \$ 26,391 | \$ -- |
| Net increase (decrease) in cash | \$ (22,620) | \$ 87,038 |
| CASH BALANCES, Beginning | 6,127,512 | 13,449 |
| CASH BALANCES, Ending | \$ 6,104,892 | \$ 100,487 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ (71,693) | \$ (549) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | -- | -- |
| (Increase) decrease in: | | |
| Other receivables | 39,539 | -- |
| Inventories | -- | -- |
| Increase (decrease) in accounts payable, accrued and other liabilities | (16,857) | 87,587 |
| (Increase) decrease in deferred outflows of resources | -- | -- |
| Increase (decrease) in deferred inflows of resources | -- | -- |
| Net cash provided by (used for) operating activities | \$ (49,011) | \$ 87,038 |

| <u>Payroll</u> | <u>Risk Management</u> | <u>Data Processing</u> | <u>Vehicle Maintenance</u> | <u>Total</u> |
|---------------------|------------------------|------------------------|----------------------------|----------------------|
| \$ 291,090 | \$ 625,941 | \$ 876,542 | \$ 2,049,540 | \$ 6,670,750 |
| -- | (672,834) | (324,943) | (1,033,465) | (4,811,658) |
| (475,332) | -- | (382,899) | (453,546) | (1,320,971) |
| <u>\$ (184,242)</u> | <u>\$ (46,893)</u> | <u>\$ 168,700</u> | <u>\$ 562,529</u> | <u>\$ 538,121</u> |
| \$ -- | \$ 299,070 | \$ 8,000 | \$ 58,782 | \$ 365,852 |
| -- | (6,650) | -- | (87,154) | (93,804) |
| <u>\$ --</u> | <u>\$ 292,420</u> | <u>\$ 8,000</u> | <u>\$ (28,372)</u> | <u>\$ 272,048</u> |
| \$ -- | \$ -- | \$ (80,645) | \$ (231,583) | \$ (312,228) |
| \$ 9,858 | \$ 13,199 | \$ 4,502 | \$ 5,166 | \$ 59,116 |
| \$ (174,384) | \$ 258,726 | \$ 100,557 | \$ 307,740 | \$ 557,057 |
| 2,189,779 | 3,190,747 | 1,026,292 | 1,066,324 | 13,614,103 |
| <u>\$ 2,015,395</u> | <u>\$ 3,449,473</u> | <u>\$ 1,126,849</u> | <u>\$ 1,374,064</u> | <u>\$ 14,171,160</u> |
| \$ (76,852) | \$ (396,708) | \$ 75,328 | \$ 213,311 | \$ (257,163) |
| -- | -- | 87,237 | 289,390 | 376,627 |
| -- | 108,367 | -- | (6,417) | 141,489 |
| -- | -- | (206) | 47,375 | 47,169 |
| (107,390) | 241,448 | (54,819) | (35,237) | 114,732 |
| -- | -- | (10,148) | (13,782) | (23,930) |
| -- | -- | 71,308 | 67,889 | 139,197 |
| <u>\$ (184,242)</u> | <u>\$ (46,893)</u> | <u>\$ 168,700</u> | <u>\$ 562,529</u> | <u>\$ 538,121</u> |

City of Cedar Falls, Iowa
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source*
June 30, 2015 and 2014

| | 2015 | 2014 |
|---|----------------|----------------|
| Governmental fund capital assets: | | |
| Land | \$ 36,225,418 | \$ 35,640,130 |
| Land improvements | 13,175,353 | 13,155,356 |
| Buildings | 26,067,151 | 27,935,803 |
| Machinery and equipment | 10,405,581 | 10,223,557 |
| Infrastructure | 178,872,763 | 172,775,534 |
| Construction in progress | 9,005,746 | 5,693,990 |
| Total governmental funds capital assets | \$ 273,752,012 | \$ 265,424,370 |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$ 21,661,639 | \$ 23,651,954 |
| Special revenue funds | 55,965,627 | 52,600,969 |
| Capital projects funds | 162,570,081 | 156,817,580 |
| Internal service | 225,195 | 225,195 |
| Donations | 33,329,470 | 32,128,672 |
| Total governmental funds capital assets | \$ 273,752,012 | \$ 265,424,370 |

* 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, 2015

| <u>Function and Activity</u> | <u>Land</u> | <u>Land Improvements</u> | <u>Buildings</u> |
|------------------------------------|----------------------|------------------------------|----------------------|
| Public Safety | \$ 12,500 | \$ -- | \$ 1,024,831 |
| Public Works | 751,051 | 1,842,041 | 1,582,334 |
| Health & Social Services | 151,494 | 89,596 | 5,873,537 |
| Culture and Recreation | 2,930,611 | 10,883,674 | 13,354,470 |
| Community and Economic Development | 32,325,861 | 360,042 | 11,500 |
| General Government | 53,901 | -- | 4,220,479 |
| | <u>\$ 36,225,418</u> | <u>\$ 13,175,353</u> | <u>\$ 26,067,151</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> |
|--|-----------------------|---|-----------------------|
| \$ 1,630,637 | \$ -- | \$ -- | \$ 2,667,968 |
| 4,025,310 | 172,450,069 | 7,293,357 | 187,944,162 |
| -- | -- | -- | 6,114,627 |
| 3,456,931 | 6,422,694 | 1,014,632 | 38,063,012 |
| 108,477 | -- | 697,757 | 33,503,637 |
| 1,184,226 | -- | -- | 5,458,606 |
| <u>\$ 10,405,581</u> | <u>\$ 178,872,763</u> | <u>\$ 9,005,746</u> | <u>\$ 273,752,012</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, 2015

| | Governmental Funds Capital Assets July 1, 2014 | Additions | Deletions | Governmental Funds Capital Assets June 30, 2015 |
|---------------------------------------|---|----------------------|---------------------|--|
| Public Safety | \$ 2,658,969 | \$ 19,530 | \$ 10,531 | \$ 2,667,968 |
| Public Works | 178,793,984 | 11,225,333 | 2,075,155 | 187,944,162 |
| Health & Social Services | 6,094,630 | 19,997 | -- | 6,114,627 |
| Culture and Recreation | 37,260,612 | 1,326,018 | 523,618 | 38,063,012 |
| Community and Economic Development | 35,236,321 | 425,089 | 2,157,773 | 33,503,637 |
| General Government | 5,379,854 | 116,307 | 37,555 | 5,458,606 |
| | <u>\$ 265,424,370</u> | <u>\$ 13,132,274</u> | <u>\$ 4,804,632</u> | <u>\$ 273,752,012</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>Contents</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. | 127 |
| Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. | 137 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future | 146 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. | 158 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. | 163 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Cedar Falls, Iowa
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

| | Fiscal Year | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 108,359,511 | \$ 113,859,357 | \$ 118,688,310 | \$ 123,367,386 |
| Restricted | 17,167,913 | 18,571,430 | 20,491,013 | 21,421,340 |
| Unrestricted | 37,686,372 | 42,994,411 | 45,657,412 | 48,697,813 |
| Total governmental activities net position | <u>\$ 163,213,796</u> | <u>\$ 175,425,198</u> | <u>\$ 184,836,735</u> | <u>\$ 193,486,539</u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 30,991,450 | \$ 36,487,852 | \$ 41,521,531 | \$ 44,414,522 |
| Restricted | 808,500 | 808,500 | 449,500 | 449,500 |
| Unrestricted | 6,285,467 | 5,569,366 | 4,018,315 | 4,522,038 |
| Total business-type activities net position | <u>\$ 38,085,417</u> | <u>\$ 42,865,718</u> | <u>\$ 45,989,346</u> | <u>\$ 49,386,060</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 139,350,961 | \$ 150,347,209 | \$ 160,209,841 | \$ 167,781,908 |
| Restricted | 17,976,413 | 19,379,930 | 20,940,513 | 21,870,840 |
| Unrestricted | 43,971,839 | 48,563,777 | 49,675,727 | 53,219,851 |
| Total primary government net position | <u>\$ 201,299,213</u> | <u>\$ 218,290,916</u> | <u>\$ 230,826,081</u> | <u>\$ 242,872,599</u> |

Fiscal Year

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 131,237,132 | \$ 145,480,365 | \$ 151,130,097 | \$ 155,314,591 | \$ 162,409,906 | \$ 165,448,958 |
| 22,341,338 | 24,090,200 | 24,405,828 | 24,150,307 | 25,300,988 | 28,349,177 |
| 52,747,528 | 50,939,288 | 50,704,056 | 54,888,657 | 57,227,282 | 66,476,930 |
| <u>\$ 206,325,998</u> | <u>\$ 220,509,853</u> | <u>\$ 226,239,981</u> | <u>\$ 234,353,555</u> | <u>\$ 244,938,176</u> | <u>\$ 260,275,065</u> |
| | | | | | |
| \$ 46,273,076 | \$ 52,510,319 | \$ 70,328,202 | \$ 79,677,940 | \$ 77,467,033 | \$ 79,444,948 |
| 9,500 | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 |
| 4,887,575 | 6,728,884 | (76,329) | (5,621,533) | (4,218,827) | (6,100,653) |
| <u>\$ 51,170,151</u> | <u>\$ 59,248,703</u> | <u>\$ 70,261,373</u> | <u>\$ 74,065,907</u> | <u>\$ 73,257,706</u> | <u>\$ 73,353,795</u> |
| | | | | | |
| \$ 177,510,208 | \$ 197,990,684 | \$ 221,458,299 | \$ 234,992,531 | \$ 239,876,939 | \$ 244,893,906 |
| 22,350,838 | 24,099,700 | 24,415,328 | 24,159,807 | 25,310,488 | 28,358,677 |
| 57,635,103 | 57,668,172 | 50,627,727 | 49,267,124 | 53,008,455 | 60,376,277 |
| <u>\$ 257,496,149</u> | <u>\$ 279,758,556</u> | <u>\$ 296,501,354</u> | <u>\$ 308,419,462</u> | <u>\$ 318,195,882</u> | <u>\$ 333,628,860</u> |

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

| | Fiscal Year | | |
|---|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 |
| Expenses | | | |
| Governmental activities: | | | |
| Public safety | \$ 6,920,986 | \$ 6,602,108 | \$ 8,065,013 |
| Public works | 9,291,307 | 9,390,405 | 9,696,327 |
| Health and social services | 325,479 | 147,007 | 234,124 |
| Culture and recreation | 5,911,073 | 5,894,494 | 6,736,108 |
| Community and economic development | 4,353,658 | 4,341,611 | 4,346,385 |
| General government | 3,972,891 | 3,918,550 | 4,244,545 |
| Debt service | 968,298 | 930,278 | 831,315 |
| Total governmental activities expenses | <u>31,743,692</u> | <u>31,224,453</u> | <u>34,153,817</u> |
| Business-type activities: | | | |
| Sewer | 3,212,254 | 3,359,111 | 3,009,639 |
| Refuse | 1,797,655 | 2,011,573 | 2,142,679 |
| Storm Water | -- | 619,192 | 652,999 |
| Total business-type activities expenses | <u>5,009,909</u> | <u>5,989,876</u> | <u>5,805,317</u> |
| Total primary government expenses | <u>\$ 36,753,601</u> | <u>\$ 37,214,329</u> | <u>\$ 39,959,134</u> |
| Program Revenues | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| Public Safety | \$ 715,066 | \$ 567,948 | \$ 534,722 |
| Public Works | 344,199 | 282,146 | 249,903 |
| Culture and Recreation | 1,841,570 | 2,024,082 | 2,028,869 |
| General Government | 1,323,816 | 1,165,048 | 1,466,523 |
| Operating grants and contributions | 2,533,024 | 2,461,032 | 2,365,608 |
| Capital grants and contributions | 3,622,803 | 4,922,588 | 4,395,714 |
| Total governmental activities program revenues | <u>10,380,478</u> | <u>11,422,844</u> | <u>11,041,339</u> |
| Business-type activities: | | | |
| Charges for services: | | | |
| Sewer | 3,862,562 | 3,794,631 | 3,775,728 |
| Refuse | 2,576,395 | 2,746,393 | 2,833,449 |
| Storm Water | -- | 731,844 | 780,666 |
| Capital grants and contributions: sewer and storm water | 1,553,151 | 3,221,140 | 333,950 |
| Total business-type activities program revenues | <u>7,992,108</u> | <u>10,494,008</u> | <u>7,723,793</u> |
| Total primary government program revenues | <u>\$ 18,372,586</u> | <u>\$ 21,916,852</u> | <u>\$ 18,765,132</u> |
| Net (Expense)/Revenues | | | |
| Governmental activities | (21,363,214) | (19,801,609) | (23,112,478) |
| Business-type activities | 2,982,199 | 4,504,132 | 1,918,476 |
| Total primary government net expense | <u>\$ (18,381,015)</u> | <u>\$ (15,297,477)</u> | <u>\$ (21,194,002)</u> |

Fiscal Year

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 7,192,846 | 7,725,740 | 8,625,520 | 8,462,143 | 9,491,677 | 9,293,710 | 9,285,835 |
| | 13,938,703 | 10,699,831 | 10,949,200 | 12,971,278 | 11,909,568 | 12,086,420 | 12,301,197 |
| | 310,365 | 164,836 | 326,666 | 316,339 | 320,864 | 166,764 | 279,734 |
| | 6,836,437 | 6,864,804 | 7,104,212 | 7,098,908 | 7,262,110 | 7,135,841 | 7,560,018 |
| | 5,677,705 | 7,019,195 | 7,291,549 | 7,815,848 | 8,357,058 | 5,134,158 | 5,661,653 |
| | 4,619,221 | 4,797,762 | 4,493,885 | 4,333,403 | 4,890,409 | 4,684,649 | 4,319,945 |
| | 754,989 | 741,933 | 551,543 | 452,378 | 228,173 | 183,339 | 166,377 |
| | <u>39,330,266</u> | <u>38,014,101</u> | <u>39,342,575</u> | <u>41,450,297</u> | <u>42,459,859</u> | <u>38,684,881</u> | <u>39,574,759</u> |
| | 3,178,354 | 3,187,378 | 3,223,476 | 3,336,990 | 3,617,688 | 3,971,854 | 4,702,339 |
| | 2,355,999 | 2,410,813 | 2,537,735 | 2,492,305 | 2,770,264 | 2,960,082 | 2,744,057 |
| | 620,460 | 732,218 | 693,075 | 722,991 | 728,713 | 835,029 | 1,000,434 |
| | <u>6,154,813</u> | <u>6,330,409</u> | <u>6,454,286</u> | <u>6,552,286</u> | <u>7,116,665</u> | <u>7,766,965</u> | <u>8,446,830</u> |
| \$ | <u>45,485,079</u> | <u>44,344,510</u> | <u>45,796,861</u> | <u>48,002,583</u> | <u>49,576,524</u> | <u>46,451,846</u> | <u>48,021,589</u> |
| \$ | 538,398 | 597,348 | 661,784 | 748,246 | 673,860 | 661,382 | 640,025 |
| | 259,569 | 240,997 | 217,172 | 199,648 | 204,592 | 179,494 | 174,750 |
| | 2,184,620 | 2,170,036 | 2,206,722 | 2,469,465 | 2,400,747 | 2,518,347 | 2,226,514 |
| | 1,191,151 | 1,587,244 | 1,588,066 | 1,682,397 | 1,632,567 | 1,773,501 | 1,547,812 |
| | 2,153,921 | 1,606,798 | 2,360,697 | 1,695,117 | 2,098,639 | 1,818,312 | 1,502,835 |
| | 7,183,972 | 8,928,178 | 15,073,637 | 11,529,905 | 6,479,932 | 3,576,733 | 1,628,293 |
| | <u>13,511,631</u> | <u>15,130,601</u> | <u>22,108,078</u> | <u>18,324,778</u> | <u>13,490,337</u> | <u>10,527,769</u> | <u>7,720,229</u> |
| | 3,999,239 | 4,015,527 | 4,138,346 | 4,313,923 | 4,574,181 | 4,837,116 | 5,067,148 |
| | 3,148,295 | 3,186,384 | 3,318,008 | 3,328,306 | 2,996,396 | 3,139,016 | 2,855,267 |
| | 780,837 | 787,942 | 806,364 | 826,986 | 890,893 | 831,083 | 830,501 |
| | 983,243 | 128,795 | 460,559 | 140,450 | 577,411 | 689,285 | 731,471 |
| | <u>8,911,614</u> | <u>8,118,648</u> | <u>8,723,277</u> | <u>8,609,665</u> | <u>9,038,881</u> | <u>9,496,500</u> | <u>9,484,387</u> |
| \$ | <u>22,423,245</u> | <u>23,249,249</u> | <u>30,831,355</u> | <u>26,934,443</u> | <u>22,529,218</u> | <u>20,024,269</u> | <u>17,204,616</u> |
| | (25,818,635) | (22,883,500) | (17,234,497) | (23,125,519) | (28,969,522) | (28,157,112) | (31,854,530) |
| | 2,756,801 | 1,788,239 | 2,268,991 | 2,057,379 | 1,922,216 | 1,729,535 | 1,037,557 |
| \$ | <u>(23,061,834)</u> | <u>(21,095,261)</u> | <u>(14,965,506)</u> | <u>(21,068,140)</u> | <u>(27,047,306)</u> | <u>(26,427,577)</u> | <u>(30,816,973)</u> |

(continued)

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

| | Fiscal Year | | |
|---|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 |
| General Revenues and Other Changes in Net Position | | | |
| Governmental activities: | | | |
| General revenues: | | | |
| Property taxes and assessments | \$ 17,163,242 | \$ 18,931,378 | \$ 19,468,413 |
| Other city taxes | 4,709,758 | 4,582,479 | 5,060,324 |
| Use of money and property | 2,425,140 | 2,924,080 | 2,868,337 |
| Intergovernmental | 3,527,541 | 3,551,695 | 3,728,669 |
| Miscellaneous | 491,847 | 474,249 | 850,716 |
| Gain on sale of assets | -- | -- | -- |
| Utility contribution in lieu of taxes | 1,400,000 | 1,400,000 | 1,400,000 |
| Transfers | 752,088 | 149,130 | (852,444) |
| Total governmental activities | <u>30,469,616</u> | <u>32,013,011</u> | <u>32,524,015</u> |
| Business-type activities: | | | |
| General revenues: | | | |
| Property taxes and assessments | -- | 1,287 | 1,609 |
| Use of money and property | 301,153 | 424,012 | 351,099 |
| Intergovernmental | -- | -- | -- |
| Transfers | (752,088) | (149,130) | 852,444 |
| Total business-type activities | <u>(450,935)</u> | <u>276,169</u> | <u>1,205,152</u> |
| Total primary government | <u>\$ 30,018,681</u> | <u>\$ 32,289,180</u> | <u>\$ 33,729,167</u> |
| Change in Net Position | | | |
| Governmental activities | \$ 9,106,402 | \$ 12,211,402 | \$ 9,411,537 |
| Business-type activities | 2,531,264 | 4,780,301 | 3,123,628 |
| Total primary government | <u>\$ 11,637,666</u> | <u>\$ 16,991,703</u> | <u>\$ 12,535,165</u> |

(continued)

| Fiscal Year | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 20,994,332 | \$ 22,066,237 | \$ 23,378,676 | \$ 23,802,124 | \$ 24,695,940 | \$ 21,248,529 | \$ 25,096,699 |
| 5,308,296 | 5,022,500 | 5,291,546 | 5,754,706 | 5,544,604 | 6,036,891 | 5,935,675 |
| 2,421,181 | 1,640,456 | 1,344,936 | 1,275,402 | 1,268,202 | 1,120,041 | 1,187,617 |
| 3,693,255 | 4,258,253 | 4,269,954 | 4,296,073 | 4,405,345 | 4,545,694 | 25,400,155 |
| 965,194 | 1,127,964 | 1,324,189 | 1,014,890 | 1,375,437 | 1,389,109 | 844,766 |
| -- | -- | 5,668 | 6,606 | -- | -- | -- |
| 1,500,000 | 1,524,990 | 1,575,010 | 1,625,000 | 1,637,000 | 1,725,000 | 3,402,949 |
| (413,819) | 82,559 | (5,771,627) | (8,919,154) | (1,843,432) | 2,676,469 | (356,735) |
| <u>34,468,439</u> | <u>35,722,959</u> | <u>31,418,352</u> | <u>28,855,647</u> | <u>37,083,096</u> | <u>38,741,733</u> | <u>61,511,126</u> |
| 1,961 | 1,748 | -- | -- | -- | -- | -- |
| 224,133 | 76,663 | 37,934 | 36,137 | 38,886 | 44,547 | 50,802 |
| -- | -- | -- | -- | -- | 94,186 | 88,596 |
| 413,819 | (82,559) | 5,771,627 | 8,919,154 | 1,843,432 | (2,676,469) | 356,735 |
| <u>639,913</u> | <u>(4,148)</u> | <u>5,809,561</u> | <u>8,955,291</u> | <u>1,882,318</u> | <u>(2,537,736)</u> | <u>496,133</u> |
| <u>\$ 35,108,352</u> | <u>\$ 35,718,811</u> | <u>\$ 37,227,913</u> | <u>\$ 37,810,938</u> | <u>\$ 38,965,414</u> | <u>\$ 36,203,997</u> | <u>\$ 62,007,259</u> |
| \$ 8,649,804 | \$ 12,839,459 | \$ 14,183,855 | \$ 5,730,128 | \$ 8,113,574 | \$ 10,584,621 | \$ 29,656,596 |
| 3,396,714 | 1,784,091 | 8,078,552 | 11,012,670 | 3,804,534 | (808,201) | 1,533,690 |
| <u>\$ 12,046,518</u> | <u>\$ 14,623,550</u> | <u>\$ 22,262,407</u> | <u>\$ 16,742,798</u> | <u>\$ 11,918,108</u> | <u>\$ 9,776,420</u> | <u>\$ 31,190,286</u> |

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

| | Fiscal Year | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| General Fund | | | | |
| Nonspendable | \$ 119,589 | \$ 147,220 | \$ 131,466 | \$ 132,803 |
| Assigned | 695,321 | 1,196,550 | 1,122,010 | 1,246,712 |
| Unassigned | 6,251,432 | 6,221,822 | 6,291,771 | 6,473,074 |
| Total general fund | <u>\$ 7,066,342</u> | <u>\$ 7,565,592</u> | <u>\$ 7,545,247</u> | <u>\$ 7,852,589</u> |
| All Other Governmental Funds | | | | |
| Nonspendable | \$ 138,443 | \$ 151,510 | \$ 83,341 | \$ 84,791 |
| Restricted | 24,404,192 | 24,333,854 | 27,182,248 | 25,967,407 |
| Committed | 13,199,514 | 13,069,761 | 13,723,684 | 14,395,783 |
| Assigned | 7,020,781 | 9,382,350 | 9,700,146 | 9,526,406 |
| Unassigned | (598,988) | (701,932) | (358,297) | (186,530) |
| Total all other governmental funds | <u>\$ 44,163,942</u> | <u>\$ 46,235,543</u> | <u>\$ 50,331,122</u> | <u>\$ 49,787,857</u> |

Fiscal Year

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 178,147 | \$ 181,341 | \$ 180,689 | \$ 241,612 | \$ 195,196 | \$ 183,922 |
| 1,620,436 | 1,445,007 | 1,722,948 | 1,817,084 | 2,205,244 | 2,277,562 |
| 6,489,104 | 6,498,932 | 7,045,817 | 6,978,807 | 7,333,349 | 7,603,109 |
| <u>\$ 8,287,687</u> | <u>\$ 8,125,280</u> | <u>\$ 8,949,454</u> | <u>\$ 9,037,503</u> | <u>\$ 9,733,789</u> | <u>\$ 10,064,593</u> |
| | | | | | |
| \$ 126,255 | \$ 201,205 | \$ 256,912 | \$ 306,613 | \$ 257,741 | \$ 562,516 |
| 26,841,011 | 27,037,209 | 25,892,197 | 25,435,109 | 26,920,959 | 28,101,815 |
| 15,163,647 | 15,697,718 | 16,145,534 | 16,551,115 | 17,029,200 | 17,408,842 |
| 11,201,701 | 10,758,664 | 12,916,571 | 14,559,803 | 19,036,386 | 42,072,607 |
| (1,740,555) | (2,840,288) | (4,343,889) | (1,193,291) | (5,580,797) | (5,289,619) |
| <u>\$ 51,592,059</u> | <u>\$ 50,854,508</u> | <u>\$ 50,867,325</u> | <u>\$ 55,659,349</u> | <u>\$ 57,663,489</u> | <u>\$ 82,856,161</u> |

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

| | Fiscal Year | | | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Revenues: | | | | |
| Property taxes and assessments | \$ 17,186,164 | \$ 18,931,049 | \$ 19,459,594 | \$ 20,994,332 |
| Other city taxes | 4,712,426 | 4,564,009 | 5,032,798 | 5,338,098 |
| Licenses and permits | 982,954 | 785,116 | 1,031,667 | 767,938 |
| Use of money and property | 2,425,140 | 2,924,080 | 2,868,337 | 2,421,181 |
| Intergovernmental | 6,834,840 | 7,047,600 | 9,153,104 | 10,189,992 |
| Charges for services | 2,589,376 | 2,787,909 | 2,827,076 | 2,969,223 |
| Fines and forfeitures | 652,321 | 466,199 | 421,274 | 436,578 |
| Miscellaneous | 437,966 | 648,118 | 803,161 | 994,537 |
| Utility contribution in lieu of taxes | 1,400,000 | 1,400,000 | 1,400,000 | 1,500,000 |
| Total revenues | <u>\$ 37,221,187</u> | <u>\$ 39,554,080</u> | <u>\$ 42,997,011</u> | <u>\$ 45,611,879</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | \$ 7,173,967 | \$ 7,373,826 | \$ 7,996,188 | \$ 7,551,507 |
| Public works | 7,595,353 | 7,928,949 | 7,282,523 | 7,783,897 |
| Health and social services | 199,164 | 838,185 | 87,286 | 163,528 |
| Culture and recreation | 5,277,687 | 5,330,482 | 5,536,483 | 6,065,698 |
| Community and economic development | 2,384,359 | 2,345,866 | 2,529,313 | 2,253,049 |
| General government | 3,814,373 | 3,929,548 | 4,168,161 | 4,381,790 |
| Debt service | | | | |
| Principal | 2,920,000 | 3,040,000 | 2,850,000 | 2,910,000 |
| Interest | 937,274 | 916,414 | 806,181 | 739,841 |
| Capital projects | 9,612,287 | 5,392,998 | 9,857,325 | 13,486,565 |
| Total expenditures | <u>\$ 39,914,464</u> | <u>\$ 37,096,268</u> | <u>\$ 41,113,460</u> | <u>\$ 45,335,875</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (2,693,277)</u> | <u>\$ 2,457,812</u> | <u>\$ 1,883,551</u> | <u>\$ 276,004</u> |
| Other financing sources (uses): | | | | |
| Issuance of long-term debt | \$ 2,835,000 | \$ -- | \$ 4,820,000 | \$ -- |
| Premium on long-term debt | -- | -- | -- | -- |
| Issuance of refunding debt | 5,650,000 | -- | (1,645,000) | -- |
| Discount on long-term debt | (43,274) | -- | (30,125) | -- |
| Payments on refunding bonds | (5,650,000) | -- | -- | -- |
| Transfers in | 5,999,757 | 5,914,848 | 8,358,264 | 10,291,922 |
| Transfers out | (5,288,524) | (5,842,507) | (9,227,533) | (10,806,635) |
| Total other financing sources (uses) | <u>\$ 3,502,959</u> | <u>\$ 72,341</u> | <u>\$ 2,275,606</u> | <u>\$ (514,713)</u> |
| Net change in fund balances | <u>\$ 809,682</u> | <u>\$ 2,530,153</u> | <u>\$ 4,159,157</u> | <u>\$ (238,709)</u> |
| Debt service as a percentage of noncapital expenditures | 13.8% | 14.6% | 11.4% | 10.1% |

Fiscal Year

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| \$ 22,066,237 | \$ 23,378,676 | \$ 23,766,846 | \$ 24,696,783 | \$ 21,244,190 | \$ 25,099,620 |
| 5,029,677 | 5,282,406 | 5,755,920 | 5,519,022 | 5,995,505 | 6,156,049 |
| 1,106,716 | 1,093,024 | 1,162,401 | 1,076,186 | 1,197,723 | 967,488 |
| 1,640,456 | 1,344,936 | 1,275,402 | 1,268,202 | 1,120,040 | 1,187,617 |
| 12,351,723 | 21,764,416 | 18,920,930 | 12,599,954 | 8,688,760 | 27,494,197 |
| 3,115,157 | 3,179,755 | 3,507,339 | 3,386,415 | 3,542,072 | 3,329,061 |
| 373,752 | 400,965 | 430,016 | 449,165 | 392,928 | 292,551 |
| 1,057,446 | 1,370,497 | 1,052,265 | 1,358,192 | 1,400,551 | 1,154,586 |
| 1,524,990 | 1,575,010 | 1,625,000 | 1,637,000 | 1,725,000 | 3,402,949 |
| <u>\$ 48,266,154</u> | <u>\$ 59,389,685</u> | <u>\$ 57,496,119</u> | <u>\$ 51,990,919</u> | <u>\$ 45,306,769</u> | <u>\$ 69,084,118</u> |
| | | | | | |
| \$ 7,922,903 | \$ 8,155,206 | \$ 8,375,158 | \$ 8,999,942 | \$ 9,188,529 | \$ 9,736,872 |
| 8,816,278 | 9,027,992 | 10,810,336 | 10,089,252 | 9,325,749 | 10,078,273 |
| 87,304 | 178,084 | 167,759 | 172,284 | 18,184 | 150,853 |
| 6,076,258 | 6,557,554 | 6,410,049 | 6,449,626 | 6,130,462 | 6,949,450 |
| | | | | | |
| 2,291,861 | 2,602,604 | 2,447,212 | 2,646,490 | 2,351,253 | 2,529,858 |
| 4,613,684 | 4,316,949 | 4,775,981 | 4,684,063 | 4,592,138 | 3,376,609 |
| | | | | | |
| 2,930,000 | 3,235,000 | 3,415,000 | 2,685,000 | 2,775,000 | 1,040,000 |
| 728,057 | 596,048 | 503,383 | 271,009 | 216,208 | 156,875 |
| 16,357,586 | 20,000,053 | 11,390,660 | 9,544,629 | 10,593,247 | 9,106,571 |
| <u>\$ 49,823,931</u> | <u>\$ 54,669,490</u> | <u>\$ 48,295,538</u> | <u>\$ 45,542,295</u> | <u>\$ 45,190,770</u> | <u>\$ 43,125,361</u> |
| | | | | | |
| <u>\$ (1,557,777)</u> | <u>\$ 4,720,195</u> | <u>\$ 9,200,581</u> | <u>\$ 6,448,624</u> | <u>\$ 115,999</u> | <u>\$ 25,958,757</u> |
| | | | | | |
| \$ 3,440,000 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| 227,162 | -- | -- | -- | -- | -- |
| 5,135,000 | -- | 3,320,000 | -- | -- | -- |
| (28,724) | -- | (8,300) | -- | -- | -- |
| (5,325,000) | -- | (3,285,000) | -- | -- | -- |
| 11,017,106 | 9,806,376 | 11,275,219 | 13,297,694 | 12,547,589 | 10,234,634 |
| (10,755,275) | (15,504,674) | (19,720,563) | (14,976,869) | (9,867,874) | (10,863,417) |
| <u>\$ 3,710,269</u> | <u>\$ (5,698,298)</u> | <u>\$ (8,418,644)</u> | <u>\$ (1,679,175)</u> | <u>\$ 2,679,715</u> | <u>\$ (628,783)</u> |
| <u>\$ 2,152,492</u> | <u>\$ (978,103)</u> | <u>\$ 781,937</u> | <u>\$ 4,769,449</u> | <u>\$ 2,795,714</u> | <u>\$ 25,329,974</u> |
| | | | | | |
| 10.3% | 10.7% | 10.2% | 8.0% | 8.9% | 4.0% |

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 |
| 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 |
| 2011 | 2012 | 1,254,821,347 | 2,450,027,899 | 5,572,605 | 8,292,560 |
| 2012 | 2013 | 1,393,511,204 | 2,608,407,333 | 5,671,067 | 9,912,510 |
| 2013 | 2014 | 1,622,862,335 | 2,640,558,870 | 5,918,449 | 9,875,030 |
| 2014 | 2015 | 1,490,616,188 | 2,715,410,009 | 6,002,443 | 13,830,630 |

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 | Total Direct Tax Rate |
|----|------------------|-------------------|--|--------------------------------|
| | Taxable Value | Assessed Value | Assessed Value | |
| \$ | 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 |
| | 1,260,393,952 | 2,458,320,459 | 51.27 | 12.86369 |
| | 1,399,182,271 | 2,618,319,843 | 53.44 | 12.20300 |
| | 1,628,780,784 | 2,650,433,900 | 61.45 | 12.02123 |
| | 1,496,618,631 | 2,729,240,639 | 54.84 | 11.81029 |

**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 |
| 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 |
| 2012 | 11.79924 | 1.06445 | 12.86369 | 5.92415 | 0.67322 | 6.59737 |
| 2013 | 11.68479 | 0.51821 | 12.20300 | 5.59849 | 0.64144 | 6.23993 |
| 2014 | 11.45923 | 0.56200 | 12.02123 | 5.39234 | 0.62882 | 6.02116 |
| 2015 | 11.21478 | 0.59551 | 11.81029 | 5.52447 | 0.59472 | 6.11919 |

Source: Department of Management website

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

Overlapping Rates

| <u>Schools</u> | | | | |
|------------------------------|-------------------------|-------------------------------------|--------------|--------------|
| <u>Operating Millage</u> | <u>Debt Service</u> | <u>Total School Millage</u> | <u>Other</u> | <u>Total</u> |
| \$ 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 |
| 13.78651 | -- | 13.78651 | 1.28109 | 34.52866 |
| 13.37802 | -- | 13.37802 | 1.33770 | 33.15865 |
| 12.82531 | -- | 12.82531 | 1.36950 | 32.23720 |
| 12.78447 | -- | 12.78447 | 1.35851 | 32.07246 |

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

| Taxpayer | 2006 | | |
|----------------------------------|---|------|---|
| | Assessed Valuation for Fiscal Year 2005 - 2006 | Rank | Percentage of Total Assessed Valuation |
| Target Corporation | \$ 42,724,630 | 1 | 2.46 % |
| College Square Mall Assoc. LLC | 33,498,910 | 2 | 1.93 |
| Walmart Re Business Trust | 8,883,330 | 8 | 0.51 |
| Menard, Inc. | -- | -- | -- |
| WB CF Assoc LTD Partners | 10,129,460 | 6 | 0.58 |
| Scion UNI Investors, LLC | -- | -- | -- |
| Martin Realty Company, LLC | -- | -- | -- |
| GB Ventures, LLC | -- | -- | -- |
| R and N Investments | 13,095,370 | 4 | 0.75 |
| Standard Distribution Co. | -- | -- | -- |
| Panther Development, LLC | 12,035,500 | 5 | 0.69 |
| Cedar Falls Investments, LLC | 9,463,530 | 7 | 0.54 |
| Twenty Seventh Street Assoc, LLC | 13,221,770 | 3 | 0.76 |
| Bossard US Holdings, Inc. | 7,309,950 | 10 | 0.42 |
| Christopherson, Jerry | 7,805,270 | 9 | 0.45 |
| | <u>\$ 158,167,720</u> | | <u>9.09 %</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 |
|-----------|---------------------------------|----------------|------------------------|---------------------------------------|----------------------------|
| 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 |
| 2011 | 2012 | 16,552,835 | 16,576,996 | 100.15 | 15,223 |
| 2012 | 2013 | 17,287,168 | 17,091,764 | 98.87 | 3,967 |
| 2013 | 2014 | 19,694,615 | 19,537,939 | 99.20 | 16,281 |
| 2014 | 2015 | 17,900,282 | 17,785,682 | 99.36 | 14,266 |

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 |
|-----------------------|---|------------------------------|--|
| \$ 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 |
| 16,592,219 | 100.24 | 22,693 | 0.14 |
| 17,095,731 | 98.89 | 25,924 | 0.15 |
| 19,554,220 | 99.29 | 14,435 | 0.07 |
| 17,799,948 | 99.44 | 18,813 | 0.11 |

City of Cedar Falls, Iowa
1/1/2014 VALUATIONS (Taxes Payable July 1, 2015 to June 30, 2016)

| | <u>100% Actual Value</u> | <u>Taxable Value (with Rollback)</u> |
|--|-----------------------------|--|
| Residential | \$ 2,082,828,870 | \$ 1,157,689,976 |
| Commercial | 374,453,565 | 329,469,810 |
| Industrial | 22,718,260 | 18,760,114 |
| Railroad | 1,795,259 | 1,615,733 |
| Utilities | 5,430,047 | 5,430,047 |
| Gross Valuation | \$ <u>2,487,226,001</u> | \$ <u>1,512,965,680</u> |
| Less military exemption | (3,242,852) | (3,242,852) |
| Net Valuation | \$ 2,483,983,149 | \$ 1,509,722,828 |
| | | |
| TIF increment (used to compute debt services levies and constitutional debt limit) | \$ 298,017,225 ¹ | \$ 272,130,549 ¹ |
| | | |
| Taxes separately | | |
| AG. Land | \$ 12,576,850 | \$ 5,566,401 |
| Ag. Buildings | \$ 714,820 | \$ 320,311 |
| Utilities - Gas & Electric | \$ 53,130,477 | \$ 5,236,790 |

¹ TIF Increment is reduced by \$55,560 of military exemption

2014 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY¹

| | <u>Taxable Valuation</u> | <u>Percent Total</u> |
|----------------------------------|--------------------------|----------------------|
| Residential | \$ 1,157,689,976 | 76.25% |
| Commercial, Industrial & Utility | 353,659,971 | 23.29% |
| Gas & Electric Utilities | 5,236,790 | 0.34% |
| Railroad | 1,615,733 | 0.11% |
| Total Gross Taxable Valuation | \$ <u>1,518,202,470</u> | <u>100.00%</u> |

¹Excludes Taxable TIF Increment, Ag. Land and Ag. Buildings

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

| Fiscal Year | Governmental Activities | | Business-Type Activities | | Total Primary Government |
|-------------|--------------------------------|--|--------------------------------|--------------|--------------------------|
| | General Obligation Bonds/Notes | Tax Increment Financing Bonds/Notes General Obligation | General Obligation Bonds/Notes | Revenue Debt | |
| 2006 | \$ 16,708,937 | \$ 6,365,918 | \$ 2,970,161 | \$ 3,400,850 | \$ 29,445,866 |
| 2007 | 14,544,995 | 5,520,948 | 2,264,406 | 2,725,152 | 25,055,501 |
| 2008 | 15,741,222 | 4,645,486 | 5,790,799 | 1,000,789 | 27,178,296 |
| 2009 | 13,757,378 | 3,745,024 | 5,254,409 | 761,924 | 23,518,735 |
| 2010 | 15,061,148 | 2,974,583 | 4,708,019 | -- | 22,743,750 |
| 2011 | 12,671,792 | 2,095,682 | 4,136,629 | -- | 18,904,103 |
| 2012 | 10,168,719 | 1,176,781 | 3,553,231 | 210,640 | 15,109,371 |
| 2013 | 8,024,356 | 597,880 | 2,942,333 | 210,640 | 11,775,209 |
| 2014 | 5,819,312 | -- | 2,311,436 | 6,744,000 | 14,874,748 |
| 2015 | 4,790,677 | -- | 1,650,539 | 6,482,000 | 12,923,216 |

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

Amounts presented are net of discounts, premiums, and adjustments.

¹ Population and personal income data can be found on page 158.

| <u>Percentage of Personal Income¹</u> | <u>Per Capita¹</u> |
|--|-----------------------------------|
| 2.58 % | \$ 809 |
| 2.13 | 688 |
| 2.14 | 723 |
| 1.88 | 615 |
| 1.67 | 590 |
| 1.32 | 482 |
| 1.04 | 385 |
| 0.77 | 300 |
| 0.92 | 379 |
| 0.79 | 329 |

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

| <u>Fiscal Year</u> | <u>General Obligation Debt</u> | <u>Taxable Value of Property</u> | <u>Percentage Taxable Value of Property</u> | <u>Assessed Value of Property</u> |
|--------------------|--------------------------------|----------------------------------|---|-----------------------------------|
| 2006 | \$ 26,045,016 | \$ 926,086,680 | 2.81 % | \$ 1,737,456,552 |
| 2007 | 22,330,349 | 991,022,009 | 2.25 | 1,931,758,484 |
| 2008 | 26,177,507 | 1,023,984,214 | 2.56 | 2,013,812,356 |
| 2009 | 22,756,811 | 1,103,733,954 | 2.06 | 2,252,421,925 |
| 2010 | 22,743,750 | 1,155,603,179 | 1.97 | 2,336,646,915 |
| 2011 | 18,904,103 | 1,191,350,490 | 1.59 | 2,402,107,961 |
| 2012 | 14,898,731 | 1,260,393,952 | 1.18 | 2,458,320,459 |
| 2013 | 11,564,569 | 1,399,182,271 | 0.83 | 2,618,319,843 |
| 2014 | 8,130,748 | 1,628,780,784 | 0.50 | 2,650,433,900 |
| 2015 | 6,441,216 | 1,496,618,631 | 0.43 | 2,729,240,639 |

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

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

| <u>Percentage Assessed Value of Property</u> | <u>Per Capita</u> |
|--|-----------------------|
| 1.50 % | \$ 715.19 |
| 1.16 | 612.98 |
| 1.30 | 696.53 |
| 1.01 | 594.87 |
| 0.97 | 589.86 |
| 0.79 | 481.51 |
| 0.61 | 379.49 |
| 0.44 | 294.56 |
| 0.31 | 207.10 |
| 0.24 | 164.07 |

**City of Cedar Falls, Iowa
Direct and Overlapping Debt
As of June 30, 2015**

| <u>Jurisdiction</u> | <u>Net General Obligation Debt Outstanding</u> | <u>Percentage Applicable to City ¹</u> | <u>Amount Applicable to Government</u> |
|------------------------------------|--|---|--|
| Direct, City of Cedar Falls, Iowa | \$ <u>4,790,677</u> | 100.00 % | \$ <u>4,790,677</u> |
| Overlapping: | | | |
| Black Hawk County | \$ 34,985,000 | 33.13 | \$ 11,590,531 |
| Cedar Falls Public School District | -- | -- | -- |
| Area VII Hawkeye Community College | <u>--</u> | -- | <u>--</u> |
| Total Overlapping | \$ <u>34,985,000</u> | | \$ <u>11,590,531</u> |
| Total | \$ <u><u>39,775,677</u></u> | | \$ <u><u>16,381,208</u></u> |

Source: Black Hawk County Auditor

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

¹ 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 | | | | |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Debt Limit | \$ 96,587,924 | \$ 100,807,511 | \$ 114,324,931 | \$ 118,846,750 | \$ 122,094,381 |
| Total net debt applicable to limit | 24,555,000 | 28,070,000 | 24,235,000 | 25,005,000 | 20,770,000 |
| Legal debt margin | <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> |
| Total net debt applicable to the limit as a percentage of of debt limit | 25.42% | 27.85% | 21.20% | 21.04% | 17.01% |

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

| 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 125,016,901 | \$ 132,967,511 | \$ 134,876,517 | \$ 134,876,517 | \$ 139,586,122 |
| 16,660,000 | 13,205,000 | 9,640,000 | 9,640,000 | 7,770,000 |
| <u>\$ 108,356,901</u> | <u>\$ 119,762,511</u> | <u>\$ 125,236,517</u> | <u>\$ 125,236,517</u> | <u>\$ 131,816,122</u> |

13.33% 9.93% 7.15% 7.15% 5.57%

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|-------------------------|
| Estimated actual valuation | <u>\$ 2,791,722,436</u> |
| Debt limit - 5% of total actual valuation | \$ 139,586,122 |
| Debt applicable to debt limit: | |
| General obligation bonds | 6,495,000 |
| General obligation bonds - component unit | <u>1,275,000</u> |
| Legal debt margin | <u>\$ 131,816,122</u> |

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

| <u>Fiscal Year</u> | <u>Gross Revenues</u> | <u>Less: Operating Expenses ¹</u> | <u>Net Revenue Available for Debt Service</u> | <u>Debt Service Requirements ²</u> | |
|--------------------|-----------------------|--|---|---|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> |
| 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 | -- | -- |
| 2012 | 4,333,859 | 1,902,799 | 2,431,060 | -- | 5,108 |
| 2013 | 4,596,372 | 2,254,091 | 2,342,281 | -- | 6,319 |
| 2014 | 4,859,057 | 2,364,332 | 2,494,725 | 254,104 | 83,016 |
| 2015 | 5,092,146 | 2,415,557 | 2,676,589 | 262,000 | 219,180 |

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

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

² Includes principal and interest of revenue bonds only.

Debt Service
Requirements²

| | <u>Total</u> | <u>Coverage</u> |
|----|--------------|-----------------|
| \$ | 830,227 | 2.53 |
| | 826,788 | 2.19 |
| | 1,851,368 | 1.13 |
| | 268,583 | 7.79 |
| | 787,103 | 2.53 |
| | -- | -- |
| | 5,108 | 475.93 |
| | 6,319 | 370.67 |
| | 337,120 | 7.40 |
| | 481,180 | 5.56 |

**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> |
|------------------------|------------------------------|--------------------------|
| 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 |
| 2011 - 12 | 1,750,015 | 4,953,584 |
| 2012 - 13 | 1,826,789 | 5,238,056 |
| 2013 - 14 | 1,759,171 | 5,501,090 |
| 2014 - 15 | 1,615,619 | 5,714,250 |

Source: Cedar Falls Utilities

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

| <u>Fiscal Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Government</u> | <u>Other</u> | <u>Total</u> |
|--------------------|--------------------|-------------------|-------------------|-------------------|--------------|--------------|
| 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 |
| 2012 | 11,957 | 995 | 33 | 208 | 3 | 13,196 |
| 2013 | 12,328 | 1,002 | 32 | 211 | 3 | 13,576 |
| 2014 | 12,313 | 1,024 | 33 | 213 | 3 | 13,586 |
| 2015 | 12,154 | 1,403 | 33 | 173 | 3 | 13,766 |

Source: Cedar Falls Utilities

**City of Cedar Falls, Iowa
Largest Sewer Customers
Fiscal Year 2015**

| Customer | | Water Sales (CCF) | Percent of Total Water Sales | | Sewer Charges | Percent of Total Sewer Charges |
|--|----|-------------------------|------------------------------------|----|------------------|--------------------------------------|
| University of Northern Iowa | 1 | 90,007 | 5.57 % | \$ | 274,879 | 4.81 % |
| Western Home Communities | 2 | 22,966 | 1.42 | | 102,873 | 1.80 |
| Nazareth Lutheran Church | 3 | 37,755 | 2.34 | | 95,861 | 1.68 |
| Country Terrace MHP LLC-700 W Ridgeway | 4 | 18,676 | 1.16 | | 88,116 | 1.54 |
| Target Corporation | 5 | 12,318 | 0.76 | | 51,601 | 0.90 |
| Gold Falls Villa Apts. | 6 | 8,085 | 0.50 | | 50,305 | 0.88 |
| Clark Enterprises LLC | 7 | 5,748 | 0.36 | | 39,101 | 0.68 |
| Scion UNI Investors, Inc. | 8 | 8,939 | 0.55 | | 36,596 | 0.64 |
| CF Schools | 9 | 9,884 | 0.61 | | 34,152 | 0.60 |
| Newaldaya Lifescapes | 10 | 8,686 | 0.54 | | 33,467 | 0.59 |
| College Square Apts II | 11 | 5,459 | 0.34 | | 29,969 | 0.52 |
| Metokote Corporation | 12 | 11,157 | 0.69 | | 29,404 | 0.51 |
| Total 2015 CCF | | 1,615,619 | | | | |
| Total 2015 Sewer Billings | | | | | \$5,714,250 | |

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 Income¹</u> | <u>Median Age</u> | <u>School Enrollment</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|----------------------------|---|-----------------------|------------------------------|------------------------------|
| 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 |
| 2012 | 39,260 | 1,448,811,780 | 36,903 | 26.8 | 5,068 | 3.8 |
| 2013 | 39,260 | 1,538,795,700 | 39,195 | 26.8 | 5,121 | 3.5 |
| 2014 | 39,260 | 1,622,969,140 | 41,339 | 26.8 | 5,151 | 3.1 |
| 2015 | 39,260 | 1,639,850,940 | 41,769 | 26.5 | 5,151 | 4.8 |

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.

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

Beginning in 2015 the Unemployment rate is based on the Metropolitan Waterloo/Cedar Falls area.

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

| Employees | 2006 | | |
|---|----------------------------------|------|-------------------------------------|
| | Number of Employees ¹ | Rank | Percentage of Total City Employment |
| John Deere Product Engineer Center ² | 4,550 | 1 | 22.04% |
| Wheaton Franciscan Healthcare ² | -- | -- | -- |
| University of Northern Iowa | 2,076 | 2 | 10.06% |
| Hy-Vee Food Stores ² | -- | -- | -- |
| Area Education Agency 267 | -- | -- | -- |
| Wal-Mart Super Center ² | 500 | 6 | 2.42% |
| Cedar Falls Community School District | 623 | 4 | 3.02% |
| City of Cedar Falls/Municipal Utilities | 503 | 5 | 2.44% |
| Viking Pump Inc, Unit of Index Corp. | 430 | 7 | 2.08% |
| Target Distribution | 800 | 3 | 3.88% |
| The Western Home | 305 | 10 | 1.48% |
| Sartori Hospital | 305 | 9 | 1.48% |
| Martin Brothers Distributing Co., Inc | 387 | 8 | 1.87% |
| Total | 10,479 | | 50.77% |

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

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

² Number of employees includes multiple locations in both Cedar Falls and Waterloo.

2015

| <u>Number of Employees¹</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
|--|-------------|--|
| 6,739 | 1 | 27.85% |
| 2,700 | 2 | 11.16% |
| 2,586 | 3 | 10.69% |
| 1,231 | 4 | 5.09% |
| 1,150 | 5 | 4.75% |
| 758 | 6 | 3.13% |
| 688 | 7 | 2.84% |
| 540 | 8 | 2.23% |
| 505 | 9 | 2.09% |
| 475 | 10 | 1.96% |
| -- | -- | -- |
| -- | -- | -- |
| -- | -- | -- |
| 17,372 | | 71.79% |

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 | | | |
|--|--|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 |
| Public Safety | | | | |
| Police | 50.89 | 51.49 | 51.69 | 53.44 |
| Fire | 35.60 | 35.65 | 35.65 | 35.65 |
| Inspection Services | 6.50 | 6.50 | 6.40 | 6.40 |
| Public Works | | | | |
| Streets | 25.35 | 24.37 | 24.37 | 20.56 |
| Parking | 3.10 | 3.66 | 3.61 | 3.61 |
| Engineering | 11.60 | 11.57 | 11.42 | 11.42 |
| Culture and Recreation | | | | |
| Municipal Operations & Programs Admin. | 2.25 | 2.25 | 2.25 | 2.25 |
| Cultural Services | 8.81 | 8.00 | 8.00 | 8.00 |
| Cemetery | 4.60 | 4.60 | 4.60 | 4.60 |
| Golf | 7.15 | 5.50 | 4.70 | 4.90 |
| Parks | 18.68 | 18.48 | 18.90 | 20.10 |
| Recreation | 31.05 | 30.88 | 32.23 | 33.50 |
| Library | 16.20 | 17.53 | 17.25 | 17.25 |
| Senior Services | -- | 0.50 | 0.50 | 1.23 |
| Visitor & Tourism | 2.60 | 2.90 | 2.90 | 3.20 |
| Community & Economic Development | | | | |
| Community Development Admin. | 1.50 | 1.50 | 1.50 | 1.50 |
| Economic Development | 1.85 | 1.77 | 2.10 | 2.26 |
| Planning & Community Services | 3.43 | 3.68 | 3.68 | 3.68 |
| Block Grant | 2.20 | 2.17 | 1.84 | 1.68 |
| Housing Vouchers | 2.50 | 1.79 | 1.79 | 1.79 |
| Section 8 Housing | -- | -- | -- | -- |
| General Government | | | | |
| Mayor's Office | 1.50 | 1.50 | 1.50 | 1.50 |
| Finance & Business Operations Admin. | 1.50 | 1.50 | 1.50 | 1.50 |
| Financial Services | 4.95 | 5.95 | 6.45 | 6.45 |
| Legal Services | 2.00 | 3.00 | 3.00 | 3.00 |
| Personnel | 2.00 | -- | -- | -- |
| Public Records | 3.50 | 3.45 | 3.70 | 3.70 |
| Cable TV | 4.00 | 4.30 | 4.50 | 4.50 |
| Print Shop | 1.00 | 1.00 | 1.00 | 1.00 |
| Public Buildings | 14.11 | 14.71 | 15.25 | 15.25 |
| Internal Service | | | | |
| Information Systems | 4.00 | 4.00 | 4.00 | 4.00 |
| Vehicle Maintenance | 6.40 | 6.10 | 6.10 | 6.10 |
| Sewer | 16.88 | 16.30 | 16.72 | 18.38 |
| Refuse | 15.80 | 17.80 | 17.80 | 19.30 |
| Storm Water | -- | 3.25 | 3.30 | 3.30 |
| Total | 313.50 | 317.65 | 320.20 | 325.00 |

Source: City's Financial Plans

Full-Time Equivalent Employees as of June 30

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 52.69 | 51.74 | 50.87 | 50.77 | 49.03 | 46.75 |
| 35.65 | 33.80 | 33.80 | 35.20 | 35.83 | 34.86 |
| 7.40 | 7.40 | 7.40 | 9.30 | 8.23 | 7.50 |
| 20.56 | 21.56 | 22.26 | 22.06 | 22.32 | 24.10 |
| 11.42 | 11.42 | 11.42 | 11.52 | 10.52 | 10.45 |
| 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 1.75 |
| 8.20 | 8.48 | 8.50 | 8.52 | 8.37 | 8.85 |
| 4.60 | 4.60 | 4.60 | 4.60 | 4.45 | 4.45 |
| 5.30 | 5.00 | 5.00 | 5.00 | 4.93 | 4.93 |
| 20.10 | 20.65 | 20.65 | 21.45 | 17.66 | 17.41 |
| 34.26 | 35.26 | 35.26 | 35.26 | 35.59 | 34.59 |
| 3.20 | 3.20 | 3.20 | 3.20 | 3.18 | 3.28 |
| 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.25 |
| 2.00 | 2.00 | 2.12 | 2.02 | 2.09 | 0.00 |
| 3.68 | 3.68 | 3.68 | 3.68 | 3.67 | 6.08 |
| 1.69 | 1.67 | 1.69 | 1.79 | 1.40 | 1.13 |
| 1.84 | 1.87 | 1.92 | 1.93 | 1.49 | 1.13 |
| -- | -- | -- | -- | -- | -- |
| 1.50 | 1.50 | 1.50 | 1.50 | 1.10 | 1.10 |
| 1.50 | 1.50 | 1.50 | 1.50 | 1.00 | 1.00 |
| 6.45 | 6.45 | 6.45 | 5.95 | 5.58 | 6.58 |
| 3.00 | 3.00 | 3.00 | 3.00 | 2.00 | 2.00 |
| 17.55 | 17.73 | 18.56 | 19.84 | 20.76 | 20.96 |
| 1.23 | 0.78 | 0.78 | 0.78 | 0.15 | 0.15 |
| -- | -- | -- | -- | -- | -- |
| 3.70 | 3.70 | 3.70 | 4.10 | 3.95 | 3.73 |
| 3.61 | 3.61 | 3.61 | 3.81 | 2.14 | 1.97 |
| 4.50 | 4.50 | 4.50 | 4.50 | 5.00 | 5.00 |
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 |
| 15.25 | 15.84 | 15.84 | 15.84 | 14.61 | 1.73 |
| 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| 6.10 | 6.10 | 6.10 | 6.10 | 7.68 | 7.68 |
| 18.38 | 18.38 | 18.38 | 18.38 | 17.98 | 18.27 |
| 19.30 | 22.35 | 21.35 | 21.35 | 19.41 | 18.79 |
| 3.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 |
| <u>326.71</u> | <u>330.82</u> | <u>330.69</u> | <u>335.98</u> | <u>323.17</u> | <u>305.77</u> |

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

| | Fiscal Year | | |
|--|-------------|------------|------------|
| | 2006 | 2007 | 2008 |
| Public Safety | | | |
| Police | | | |
| Physical arrests | 1,670 | 1,421 | 1,353 |
| Traffic violations | 4,705 | 2,562 | 7,267 |
| Parking violations | 29,952 | 25,575 | 26,354 |
| Fire | | | |
| Number of calls answered | 1,599 | 1,925 | 1,936 |
| Inspections conducted | 2,517 | 2,331 | 2,470 |
| Sewer | | | |
| Sewage System | | | |
| Daily average treatment in gallons | 4,550,000 | 5,730,000 | 6,510,000 |
| Maximum daily capacity of treatment plant in gallons | 21,600,000 | 21,600,000 | 21,600,000 |
| Water System | | | |
| Daily average consumption in gallons | 3,636,258 | 3,379,708 | 3,660,000 |
| Maximum daily capacity of plant in gallons | 21,600,000 | 21,600,000 | 21,600,000 |
| Refuse¹ | | | |
| Solid Waste | | | |
| 32 Gallon Containers | 3,344 | 3,382 | 3,529 |
| 68 Gallon Containers | 5,997 | 6,169 | 6,273 |
| 95 Gallon Containers | 1,464 | 1,652 | 1,760 |
| Yard Waste | | | |
| 95 Gallon Containers | 5,280 | 5,575 | 5,769 |

Sources: Various city departments

¹ Statistics begin in FY04

Fiscal Year

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------|------------|------------|------------|------------|------------|------------|
| 1,501 | 1,403 | 1,199 | 1,088 | 1,178 | 1,057 | 1,029 |
| 3,544 | 3,237 | 2,966 | 2,938 | 5,554 | 5,095 | 1,692 |
| 25,267 | 21,726 | 18,646 | 18,619 | 20,889 | 14,780 | 13,493 |
| 2,016 | 1,937 | 1,924 | 2,166 | 2,190 | 2,113 | 2,037 |
| 2,076 | 3,750 | 1,854 | 1,929 | 2,843 | 2,318 | 1,214 |
| 5,130,000 | 5,726,000 | 5,210,000 | 4,100,000 | 4,100,000 | 4,930,000 | 4,520,000 |
| 21,600,000 | 21,600,000 | 21,600,000 | 21,600,000 | 21,600,000 | 21,600,000 | 21,600,000 |
| 4,110,000 | 4,135,000 | 3,400,000 | 3,400,000 | 3,400,000 | 4,090,000 | 3,380,000 |
| 21,600,000 | 22,813,000 | 23,400,000 | 23,400,000 | 23,400,000 | 23,400,000 | 23,400,000 |
| 3,735 | 4,047 | 4,343 | 4,572 | 4,600 | 4,905 | 4,347 |
| 6,337 | 6,490 | 6,780 | 6,990 | 6,899 | 7,165 | 6,305 |
| 1,876 | 1,998 | 2,163 | 2,301 | 2,307 | 2,398 | 1,638 |
| 5,999 | 6,281 | 6,554 | 6,741 | 6,916 | 7,155 | 7,239 |

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

| | Fiscal Year | | | | |
|------------------------------------|-------------|--------|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Public safety | | | | | |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 10 | 10 | 10 | 10 | 10 |
| Fire | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 |
| Fire apparatus | 8 | 8 | 8 | 8 | 8 |
| Public works | | | | | |
| Streets | | | | | |
| Miles | 205 | 210 | 215 | 217 | 217 |
| Street lights | 2,705 | 2,856 | 2,998 | 3,025 | 3,048 |
| Health and social services | | | | | |
| Hospital | 1 | 1 | 1 | 1 | 1 |
| Number of patient beds | 101 | 101 | 101 | 101 | 101 |
| Cultural and Recreation | | | | | |
| Hearst Center for the Arts | 1 | 1 | 1 | 1 | 1 |
| Library | 1 | 1 | 1 | 1 | 1 |
| Cemeteries | 3 | 3 | 3 | 3 | 3 |
| Acreage | 56.9 | 56.9 | 56.9 | 56.9 | 56.9 |
| Golf | 3 | 3 | 3 | 2 | 2 |
| Miniature golf course | 1 | -- | -- | -- | -- |
| Parks | 34 | 34 | 34 | 34 | 34 |
| Acreage | 1,116 | 1,116 | 1,136 | 1,136 | 1,136 |
| Recreation | | | | | |
| Recreation Center | 1 | 1 | 1 | 1 | 1 |
| Swimming pools | 3 | 3 | 3 | 3 | 3 |
| Softball fields | 8 | 8 | 8 | 8 | 9 |
| Baseball fields | 2 | 2 | 2 | 2 | 2 |
| Tennis courts | 6 | 6 | 6 | 6 | 6 |
| Sewer | | | | | |
| Sewage System | | | | | |
| Miles of sanitary sewer | 163 | 169 | 177 | 178.62 | 178.99 |
| Miles of storm sewers | 162 | 167 | 168 | 171.2 | 171.4 |
| Number of treatment plants | 1 | 1 | 1 | 1 | 1 |
| Number of service connectors | 11,649 | 11,966 | 11,975 | 12,145 | 12,187 |
| Water Systems | | | | | |
| Miles of water mains | 184.70 | 181.80 | 192.90 | 195.70 | 198.24 |
| Number of service connectors | 11,682 | 12,041 | 12,212 | 12,169 | 12,328 |
| Number of city owned fire hydrants | 1,717 | 1,771 | 1,951 | 1,892 | 1,923 |

Sources: Various city departments

| Fiscal Year | | | | |
|-------------|--------|--------|--------|--------|
| 2011 | 2012 | 2013 | 2014 | 2015 |
| 1 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 10 | 10 |
| 2 | 3 | 3 | 3 | 3 |
| 8 | 8 | 8 | 8 | 8 |
| 217 | 217 | 217 | 217 | 217 |
| 3,080 | 3,088 | 3,104 | 3,109 | 3,116 |
| 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 |
| 2 | 2 | 2 | 2 | 2 |
| -- | -- | -- | -- | -- |
| 34 | 33 | 34 | 35 | 35 |
| 1,136 | 1,131 | 1,132 | 1,148 | 1,148 |
| 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 |
| 9 | 9 | 9 | 9 | 9 |
| 2 | 2 | 2 | 2 | 2 |
| 6 | 6 | 6 | 6 | 6 |
| 180.11 | 180.47 | 185.94 | 187.4 | 187.57 |
| 172.13 | 172.33 | 176.18 | 177.6 | 181.41 |
| 1 | 1 | 1 | 1 | 1 |
| 12,544 | 12,544 | 12,544 | 12,826 | 12,826 |
| 199.00 | 199.00 | 201.50 | 201.70 | 203.92 |
| 12,544 | 12,544 | 11,996 | 12,071 | 12,208 |
| 2,067 | 2,067 | 2,011 | 2,038 | 2,044 |



Information to Comply with Government Auditing
Standards and OMB Circular A-133, Audits of States,
Local Governments and Non-Profit Organizations
June 30, 2015

City of Cedar Falls, Iowa

Independent Auditor’s 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

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 5

Notes to the Schedule of Expenditures of Federal Awards 6

Schedule of Findings and Questioned Costs 7

Corrective Action Plan for Audit Findings 10

Summary Schedule of Prior Audit Findings 11



CPAs & BUSINESS ADVISORS

Independent Auditor's 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, 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, 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, (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2015. Our report includes a reference to other auditors who audited the financial statements of the Cedar Falls Utilities, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the Schedule of Findings and Questioned Costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV 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.

City's Responses to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eide Bailly LLP

Dubuque, Iowa
October 21, 2015



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cedar Falls, Iowa's (City) compliance 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, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Cedar Falls, Iowa, as of and for the year ended June 30, 2015, and have issued our report thereon dated October 21, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Dubuque, Iowa
October 21, 2015

City of Cedar Falls, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| <u>Grantor/Program</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development: | | | |
| Direct program: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | \$ 366,206 |
| Pass-through program from: | | | |
| City of Waterloo, Iowa: | | | |
| Home Investment Partnerships Program | 14.239 | M01DC190206 | 70,107 |
| Direct program: | | | |
| Section 8 Housing Choice Vouchers | 14.871 | | 907,424 |
| Total U.S. Department of Housing and Urban Development | | | 1,343,737 |
| U.S. Department of Justice: | | | |
| Pass-through program from: | | | |
| City of Waterloo, Iowa: | | | |
| Joint Law Enforcement Operations | 16.111 | IA0070300 | 3,099 |
| Direct program: | | | |
| Joint Law Enforcement Operations | 16.111 | | 605 |
| | | | 3,704 |
| Bulletproof Vest Partnership Program | 16.607 | | 5,155 |
| Total U.S. Department of Justice | | | 8,859 |
| U.S. Department of Transportation: | | | |
| Pass-through program from: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-U-1185(635)--70-07 | 94 |
| Iowa Department of Public Safety: | | | |
| State and Community Highway Safety | 20.600 | 15-402 | 7,696 |
| State and Community Highway Safety | 20.600 | 14-402 | 2,797 |
| | | | 10,493 |
| Total U.S. Department of Transportation | | | 10,587 |
| U.S. Department of Homeland Security: | | | |
| Pass-through program from: | | | |
| Iowa Department of Homeland Security: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 4187 | 45,661 |
| Total | | | \$ 1,408,844 |

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 modified 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. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Governmental fund types account for the City’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

Note 2 - Subrecipients

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

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|---|---------------------------|--|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 34,908 |

Part I: Summary of the Auditor's Results:

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major program: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a): | No |

Identification of major program:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|---|--------------------|
| Community Development Block Grants/Entitlement Grants | 14.218 |
| Section 8 Housing Choice Vouchers | 14.871 |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|--|-----------|

| | |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

Part II: Findings Related to the Financial Statements:

2015-A Material Audit Adjustment

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – During the course of our engagement, we proposed a material audit adjustment to the financial statements that would not have been identified as a result of the City’s existing internal controls and, therefore, could have resulted in material misstatements of the City’s financial statements.

Cause – The material audit adjustment was to reduce the value of a road that was donated to the City and recorded at replacement value instead of fair value.

Effect – The effect of this condition was financial data not in accordance with generally accepted accounting principles.

Recommendation – We recommend that additional financial statement review procedures be implemented.

Response – This transaction was an unusual and infrequent occurrence. In the future, the City will perform additional financial statement review procedures when these types of unusual transactions occur.

Part III: Findings and Questioned Costs for Federal Awards:

There were no findings and questioned costs to report.

Part IV: Other Findings Related to Required Statutory Reporting:

2015-IA-A Certified Budget - Disbursements during the year ended June 30, 2015, did not exceed the amount budgeted.

2015-IA-B 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.

2015-IA-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

2015-IA-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|--|----------------------------|--------|
| Jared Mason, employee, owner of JM Guns | Services | \$ 808 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

2015-IA-E 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.

2015-IA-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

2015-IA-G 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.

2015-IA-H Revenue Loan – No instances of non-compliance with the sewer state revolving loan revenue debt provisions were noted.

2015-IA-I Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

City of Cedar Falls, Iowa
 Corrective Action Plan for Audit Findings
 Year Ended June 30, 2015

| <u>Comment Number</u> | <u>Comment Title</u> | <u>Corrective Action Plan</u> | <u>Contact Person, Title, Phone Number</u> | <u>Anticipated Date of Completion</u> |
|---------------------------|----------------------|-------------------------------|--|---|
|---------------------------|----------------------|-------------------------------|--|---|

Findings Related to Financial Statements:

| | | | | |
|--------|---------------------------|--|---|---------------|
| 2015-A | Material Audit Adjustment | The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. | Jennifer Rodenbeck, Director of Finance. and Business Operations 319-273-8600 | June 30, 2016 |
|--------|---------------------------|--|---|---------------|

There were no prior year federal findings.