

October 24, 2002

Honorable Mayor, City Council, and Citizens
City of Cedar Rapids, Iowa

The Comprehensive Annual Financial Report (CAFR) for the City of Cedar Rapids, Iowa, for the fiscal year ended June 30, 2002, as prepared by the Office of City Controller-Auditor, is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, and in the format recommended by the Government Finance Officers Association.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

This CAFR is organized into four sections: the Introductory Section, the Financial Section, the Statistical Section, and the Compliance Section. The Introductory Section contains the names of the principal officers, an organization chart, a Certificate of Achievement for Excellence in Financial Reporting, the table of contents, and this letter of transmittal. The Financial Section contains the opinion of the independent auditors, management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules, of the City of Cedar Rapids for the fiscal year ended June 30, 2002. The Statistical Section contains comprehensive statistical data which is intended to give the reader a broader and more complete understanding of the financial condition of the City of Cedar Rapids. This section includes many comparative schedules. The City is required to undergo an annual audit in conformity with the provisions of the New Single Audit Act and the U. S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. The Compliance Section includes information relating to this audit such as a schedule of expenditures of federal awards, findings and questioned costs, as well as the independent auditor's reports on compliance and internal control.

THE REPORTING ENTITY, ITS PURPOSE, AND SERVICES

The City of Cedar Rapids was incorporated in 1849 and has operated under the commission form of government since 1908. Under this form of government, each of the commissioners is also a City Council member. All of the Council is elected at large every two years on a non-partisan basis. Each candidate runs for a specific area of responsibility. The City provides the following services: public safety, public works, solid waste collection, animal control, parking, ground transportation, community development, and municipal water and sewer. The City also provides various cultural and recreational opportunities through various departments and commissions.

The City's financial statements include all funds, departments, boards and commissions and other government entities that do not have separate legal status as required by accounting principles generally accepted in the United States of America. Two component units are included in our financial report: the Eastern Iowa Airport, and BlueStem, a solid waste management agency.

ECONOMIC CONDITIONS AND OUTLOOK

Cedar Rapids, the second largest city in the State of Iowa, is located twenty-five miles north of Iowa City and one hundred-thirty miles east of Des Moines, the State Capital. Cedar Rapids is an important manufacturing, service and trade area serving an eight county area with a combined population estimated at 410,100. The population of Linn County is 191,701 of which 120,758 reside within Cedar Rapids.

Despite the slowing of the national economy, the Cedar Rapids area economy remained very strong in fiscal year 2002. A continued low unemployment rate and near record total employment accurately represents the strength and diversity of our local economy. Our unemployment rate of 2.9% was up from our record low of last year but our rate is still below the national and state of Iowa rates. This was one of the lowest rate of all the major communities in Iowa. Resident total employment reached 113,100 an increase of 1,600 over the previous year.

The mean household income in 2002 was \$72,302 in the Cedar Rapids MSA. Comparable mean household income for 2001 was \$71,863. Both of these amounts are presented in 1996 constant dollars.

FY02 was a banner year in terms of total building permits values. The total value of new permits was approximately \$115 million. The value of permits for remodeling, repairs, and additions totaled approximately \$62 million. Combining these two amounts together yields a total value of permits issued of \$176.8 million which is close to our all time high achieved in 2000 which was \$186 million.

Annual residential sales of 3,759 was up slightly from last year. The average sale price was \$130,309 was also an increase over the previous year.

Our position as the retail center for eastern Iowa continued as evidenced by our retail sales. The amount of retail sales surpassed \$2.62 billion in the county of which \$2.23 billion was generated in Cedar Rapids. By business class, the largest increases were seen in eating and drinking establishments, apparel & accessories, home furnishings & furniture, motor vehicles and general merchandise. Retail sales have increased over 1 billion dollars in the last ten years.

Cedar Rapids continued to maintain its low property tax rate during fiscal year FY02 as evidenced by our rate of \$13.04 per 1000 of taxable valuation, which is the an increase of \$.30 as compared to FY01. This rate, one of the lowest in the State of Iowa of the eight largest cities, is due to prudent financial management and a continuing strong local economy.

MAJOR INITIATIVES

FOR THE YEAR

The City ended its fiscal year's budget in a manner that enabled it to maintain its Targeted Fund Balance (TFB) and still generate a surplus in the General Fund. The City has a self-imposed financial policy that provides that it will maintain a General Fund Unreserved, Undesignated Fund Balance that is equal to twenty-five percent of the following fiscal year's General Fund expenditures. This same policy allows General Fund departments to carry-over one half of their unexpended appropriation into the following fiscal year. The amount available to be carried over after maintaining the TFB was approximately \$3.5 million. Overall, the General Fund expenditures were under budget by 6.4%.

The City finished construction of the new \$ 16.6 million Veteran's Memorial Baseball Stadium, which replaced the existing facility built in 1949. It is located approximately 150 feet northeast of the original stadium and includes a large parking lot shared by the two other facilities, the City's Ice Arena and the School District's football stadium, located at this athletic complex. The stadium is the home field for the Cedar Rapids Kernels Midwest League, Class A, baseball organization. The stadium, configured to seat 5,100, recorded record attendance for the 2002 season. The relocation and addition to the All Veteran's Memorial Park, which is

located just outside the stadium entrance, was also completed. This project included a great amount of volunteer effort provided by various veterans groups as well as individuals.

Priority One, the economic development arm of the Cedar Rapids Chamber of Commerce, reported the following FY02 accomplishments:

Business Development

- Assisted in the creation of 883 jobs.
- Located five new companies in the area.
- Assisted twenty-four area companies in expansion, training, and support.
- Increased the capital investment base by \$119,287,600 through industrial and office development.
- Interviewed 469 existing businesses through the Priority business Committee and Priority One staff to determine their needs.

Workforce Development

- Hosted 429,0761 visits this fiscal year on the Corridor Careers web site.
- Identified 550 companies this fiscal year utilizing one or more of Priority One's workforce development tools.
- Identified 240 companies that have hired employees by using at least one of Priority One's workforce development tools.
- Provided area employment information to 45 community colleges and 4-year institutions.

FOR THE FUTURE

The City, as part of its budgeting and resource allocation process, has started a program known as Cedar Rapids Managing for Results or CRMFR. Managing for Results is a management approach that focuses on defining and then achieving the results that are important to a local government. The organization develops a shared, widely understood framework using performance measurement for setting goals and objectives, managing, allocating resources and evaluating its accomplishments. Managing for Results can benefit a local government by improving the focus on key results and sharpening the organization's management skills to achieve those results. It is a tool for more responsive and accountable government. Research has shown that citizens are very knowledgeable about performance measures and believe they should be reported. Furthermore, they are very interested in whether and to what degree their government is using performance measures for the management of operations and what effect the use of performance measures is having on their government.

As part of the CRMFR process, the City engaged a research firm to gauge the Attitudes and Opinions of Cedar Rapids Taxpayers toward City Performance. Although the City had in the past surveyed its citizenry as to how well the City was performing various functions; this research program was designed as a baseline measurement to be used toward the development of a performance measurement program (CRMFR) for the City. The research program included two phases. First, qualitative research was conducted by utilizing three two-hour focus groups to help identify issues concerning city performance. The second phase utilized the results of the first phase to develop a quantifiable survey instrument that would test these issues against a representative sample of the population. This phase involved the use of the survey instrument as a basis to conduct 600 interviews of Cedar Rapids resident voters. The results of these interviews were tabulated and presented to the City Council, City Department Managers, and the general public.

The City Council budget initiatives for FY2003 are as follows:

- A safe community where people feel secure.
- An available and thriving cultural and recreational community that achieves a high quality of life.
- A progressive, sustainable, economically vital community with a healthy economy that successfully manages growth and change.
- An effective, accessible, and accountable city government that works openly and respectfully with and for the community.

The total budget for FY2003, approximately \$282 million, is an increase of 1% over the current year's budget. Although the City's assessed valuations increased by 12.59%, taxable valuations increased by only 5.13%. This change in the amount of a percentage increase in taxable as compared to assessed is a product of the state ordered rollbacks on both residential and commercial property. Residential property will be taxed at 51.67% as compared to 56.27% for the current fiscal year. Commercial property will be taxed at 97.77% as compared to 100 % for the current fiscal year. The property tax levy will decrease by \$.21 to \$12.83/\$1,000 of taxable valuation. This decrease in the tax levy is a result of the City Council's goal of limiting to a three percent increase the amount of taxes a residential property owner taxes would pay in FY2003. Taxes, primarily property taxes, account for approximately 24% of the revenue sources for this budget.

The major reasons for the budget increase are Personal Services and Debt Service. Personal Services is increasing by \$3.5 million or 4.28%. Labor settlements, city wide, were projected at a 3.25% increase over the current levels in wages. Health care costs were budgeted at a 5% increase which will most likely result in an increase at a double-digit level for FY2004 if current health care costs trends continue. Debt Service is increasing a total of \$13.3 million or 42.83%. This percentage is highly inflated primarily due to a refunding payoff during FY2003 of approximately \$9.5 million. The remainder of this increase represents increased debt payments. All other major objects of expenditure are decreasing when comparing the FY2003 levels to those of FY2002.

The City established a PILOT (payment in lieu of taxes) program for its enterprise departments starting in FY2000. Initially, only the Water and Water Pollution Control departments contributed to this program in the amounts of \$250,000 and \$100,000 respectively. This program was expanded in FY2001 to include Sewer Maintenance and Solid Waste and Recycling and again in 2002 with Golf and Parking contributing. The departments and their amount of the PILOT contributions for FY2003 are shown as follows:

Golf	\$50,000
Parking	35,000
Sewer Maintenance	125,000
Solid Waste and Recycling	104,000
Water	400,000
Water Pollution Control	175,000
Totals	\$889,000

The amounts collected will be distributed with the other pooled revenues within the General Fund. It is the City's intent to continue to refine this internal program both in terms of contributions and the methodology used in determining the level of contributions.

As stated previously, the property tax levy rate will decrease by approximately \$.23 to \$12.83/\$1,000 of taxable valuation. The debt service levy, which is a part of this total levy, is increasing by \$.04 per thousand to \$1.73/\$1,000 to service debt associated with the City's infrastructure improvements.

The Iowa Department of Revenue issued an equalization order for the City of Cedar Rapids that increased residential property values by 14%. This meant for assessed value purposes, a residential property was assessed 14% higher for FY2003 than 2002. This was prior to the application of the rollbacks. The rollbacks applied to residential property for FY2003 were increased by the Iowa Department of Revenue to 51.67% of estimated value, an increase over the current amount of 56.27%. For a home valued at \$100,000, for taxing purposes, it will be valued at \$51,670 for FY2003. This equalization and the application of the rollback, coupled with the decrease in the tax levy rate, will translate to an approximate 3% increase in taxes paid to the City of Cedar Rapids for owners of residential property. For example, a \$100,000 market value home in FY2002 will see an increase of approximately \$22 per year for the City portion of the FY2003 property taxes.

The state ordered equalization order for commercial property provided for a 10% increase in value. Commercial property will have a rollback applied for FY2003 as compared to FY2002 when there wasn't a rollback in effect. Commercial property will be taxed at 97.77% as compared to 100% of its full value for FY2002. On a \$100,000 valued commercial property for FY2003, the combined effect of the equalization order, the rollback and the reduction in the levy rate will result in an increase in property taxes of approximately \$76 or an increase of 5.81%.

The Iowa General Assembly enacted legislation in 1998 which replaces current property tax assessment procedure in valuing the property of entities involved primarily in the production, delivery, service and sale of electricity and natural gas with a utility replacement tax (URT) formula based upon the delivery of energy by these entities. Under the enabling legislation, S.F. 2416, electric and natural gas utilities will pay replacement taxes to local taxing districts (calculated so as to approximate historical tax collections), and their properties will be removed from the property tax base of political subdivisions, including the City. The implementation of the URT began with the 1999 assessments thus impacting the fiscal year 2001 budget. This legislation will have immediate and lasting impact on cities by the way it restructures the taxation of utility properties. The enabling legislation provided the change would be revenue neutral and thus created a three-year period, which is referred to as a "true-up phase". During this three-year period, there is a process designed to insure that the taxing entities will receive 100 percent of the difference between what they would have received from property taxes as compared to the URT. It is possible that the general obligation debt capacity of the City could be proportionately reduced in future years as there is no assurance that the legislation will not operate so as to reduce the amount of debt the City can issue or otherwise adversely affect the City's ability to levy taxes in the future for the payment of the principal and interest on its outstanding debt obligations.

The greatest challenge the area economy will face in the future in fiscal 2003 is the continued ability of local employers to attract/retain employees with specific skill sets and the dealing with a continued slowing of the national economy. This impact is also starting to be experienced on the local level. Priority One, in conjunction with the Iowa City Area Development Group, will continue to market the Technology Corridor to high-growth industries through North America. Priority One will also maintain our focus on workforce recruitment and existing business assistance. In an effort to promote the growing diversity of our population Guide within the Technology Corridor, Priority One will be unveiling their Multi-Resource.

The City issued \$33,985,000 of general obligation bonds in August of this calendar year. These bonds included \$3.185 million of bonds issued to pay for the costs of carrying out urban renewal projects within various urban renewal areas. The remaining \$30.77 million will be used fund the City's FY03 capital improvements program.

FINANCIAL INFORMATION

The management of the City is responsible for the establishment and continued maintenance of an internal control structure to ensure that all City assets are protected from loss, theft, or misuse. The management must also ensure that adequate accounting data is available to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

A recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

Budgetary Controls

The City's management team takes a very active role in the financial planning and management of the City for both the short-term daily operations and the long-range planning. The City adopts its annual program budget to include all funds. While budgetary control is exercised at the program level, management control is exercised on a major objective of expenditure basis. The daily operations are closely monitored through the City's automated integrated, on-line financial system which provides daily appropriations status capabilities, weekly cash management forecasting reports, and monthly, current and year-to-date, budget by major object of expenditure reports. Estimated revenues are also closely monitored as to their impact on budgeted expenditures. If a department falls short of its discretionary revenue projections, adjustments must be made in its appropriations to reflect these shortfalls. Encumbrance accounting is employed in all funds for management control purposes. Appropriations as adopted and amended lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reflected as reservations of the Governmental fund balances, which serve as authorizations for expenditures in the subsequent year. Capital projects are appropriated on a yearly basis.

In terms of long-range planning, the City annually, in compliance with a Council resolution, develops and issues a five-year capital improvements program, which is funded primarily through the sale of general obligation bonds. All operating departments are also required to submit a five-year capital equipment program as part of the annual operating budget process.

General Government Financial Analysis

A financial analysis of the general governmental functions for fiscal 2001-02, as compared to fiscal 2000-01, follows. Included in this analysis are the revenues and expenditures of the General Fund, Special Revenue Funds, and the Debt Service Fund.

Revenues

The general government revenues and other financings of \$98,725,604 available to the City of Cedar Rapids represent an increase of 3.76 percent over FY01. Taxes, primarily property, accounted for \$62,860,475 or 63.67 percent of the total, as compared to 60.24 percent the prior fiscal year. This amount represents a 9.66 percent increase over FY01 that is due primarily to the 1% voter approved sales tax to fund major upgrades to the City's swimming pools. All of these changes are reflected tabularly as follows:

	Amount		Percent Change Over Prior Year	Increase (Decrease) Over Prior Year
	2001-02	2000-01		
Taxes	\$62,860,475	\$57,323,648	9.66%	\$5,536,827
Licenses and Permits	1,942,391	1,915,230	1.42%	27,161
Fines and Forfeits	366,894	364,277	.72%	2,617
Charges for Services	1,622,569	1,600,521	1.38%	22,048
Intergovernmental Revenue	21,092,862	23,461,150	-10.09%	(2,368,288)
Use of Money and Property	4,428,762	5,192,327	-14.71%	(763,565)
Rents and Royalties	954,131	1,092,142	-12.64%	(138,011)
Miscellaneous and Other (including bond proceeds)	<u>5,457,520</u>	<u>4,201,391</u>	29.90%	<u>1,256,129</u>
Totals	<u>\$98,725,604</u>	<u>\$95,151,226</u>	3.76%	<u>\$3,574,378</u>

Intergovernmental Revenues decrease of 10.09% was due to the elimination the Machinery and Equipment property tax replacement payment from the State of Iowa. Interest income decreased 14.71%, which caused the Use of Money and Property classification to decrease. Miscellaneous revenues increased by 29.90% primarily due to the current year bond offering.

Expenditures

Expenditures for general government purposes totaled \$89,426,874, an increase of .68 percent over the prior fiscal year. This small increase is reflective of budget reductions, which were implemented effective with the FY02 budget.

Function	Amount		Percent Change Over Prior Year	Increase (Decrease) Over Prior Year
	2001-02	2000-01		
General	\$10,273,013	\$9,851,771	4.28%	\$421,242
Street	12,980,572	13,304,929	-2.44%	(324,357)
Public Safety	31,167,902	30,597,854	1.86%	570,048
Parks and Recreation	6,141,370	6,349,671	-3.28%	(208,301)
Library	3,583,851	3,446,362	3.99%	137,489
Debt Service	12,680,369	12,496,175	1.47%	184,194
Other	<u>12,599,797</u>	<u>12,773,321</u>	-1.36%	<u>(173,524)</u>
Totals	<u>\$89,426,874</u>	<u>\$88,820,083</u>	<u>0.68%</u>	<u>606,791</u>

Enterprise Funds

The City operated ten enterprise funds during the fiscal year ended June 30, 2002. This was an increase of one fund due to the addition of the City's Ice Arena. These funds are set up to operate primarily from the proceeds of user charges. A comparison of the operating income (loss) before depreciation for the fiscal years ended June 30, 2002, and 2001 follows:

	Operating Income (Loss) Before Depreciation	
	2001-02	2000-01
Ground Transportation System	\$(4,516,034)	\$(4,522,092)
Parking System	752,008	922,591
Water	6,841,580	6,927,312
Water Pollution Control	2,910,356	2,114,770
Sanitary Sewer	3,788,060	3,523,264
Solid Waste Management	966,954	1,893,318
Golf	275,230	378,036
Paramount Theatre	(176,492)	(185,040)
US Cellular Center	(48,780)	(158,104)
Ice Arena	(23,291)	N/A

Water Pollution Control operating income increased over the prior year due to a 3.26% decrease in operating expenses. Solid Waste Management operating income decreased due to a 19.63% increase in operating expenses. This increase in operating expenditures was caused primarily by the city's change in threshold level from \$1,000 to \$5,000 for capital assets. Golf operating income also decreased. This decrease was reflected in increased operating expenses specifically additional staff. The U.S. Cellular Center decreased its operating loss due to a 13.08% increase in operating revenues.

Retirement Plans

With the exception of police and fire and the majority of water works personnel, the City's employees are covered by the Iowa Public Employees Retirement System (IPERS). The State annually sets a tax rate to be contributed by all municipal entities when combined with local employee contributions is sufficient to meet the needs of the State plan. All covered employees are required to contribute 3.7% of their salary--employers contribute 5.75% (prior to July 1, 1975, the rate of contribution was identical). There is no allocation of unfunded liability to any municipal entity and upon the retirement of employees, responsibility for their benefits is solely that of IPERS.

Fire and police employees are covered by the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This is a cost-sharing multiple-employer defined benefit retirement system administered by a board of trustees. Plan members are required to contribute 9.35% of their annual covered salary and the City is required to contribute at an actuarially determined rate with the current rate being 17% of annual covered payroll.

The City acts as the custodian for the water retirement systems for the City. According to the latest report from our actuaries, the net assets are greater than the computed vested benefits by \$3,184,023 as of June 30, 2002, as compared to \$3,266,385 as of June 30, 2001.

Debt Administration

Unmatured general obligation bonds totaling \$244,525,000 are outstanding as of June 30, 2002, of which \$134,278,081 are considered to be self-supporting, and are therefore shown as long-term debt in the Enterprise Fund. An additional \$11,315,000 of these outstanding bonds are to be paid by the Eastern Iowa Airport (Airport), a component unit of the City of Cedar Rapids. The City sold \$40,790,000 of General Obligation Bonds in August of 2001. The proceeds of these bonds will be used to pay costs of opening, widening, extending, and grading of streets and public ways and the construction, reconstruction and repair of improvements thereto; the construction, reconstruction, improvement and equipping of works and facilities useful for the collection, treatment, and disposal of sewage and industrial waste in a sanitary manner, and for the collection and disposal of surface waters and streams; the reconstruction, enlargement, improvement, and repair of bridges; the acquisition,, installation, and repair of traffic control devices; the rehabilitation and improvement of existing city parks; equipping of the street, sanitation, police and fire departments and the construction, reconstruction, repair and equipping of waterworks, water mains and extensions; aiding in planning undertaking and carrying out of an urban renewal project within the Central Business District Urban Renewal Area, including renovation of the Paramount Theatre; aiding in the planning, undertaking and carrying out of an urban renewal project within the Southwest Urban Renewal Area; renovation of the Bender Swimming Pool and improvements to the Art Museum/Carnegie Building; and the construction of improvements to the Municipal Golf Courses.

We currently have available legal debt capacity of over \$55 million. Over \$44.3 million of our outstanding property tax supported debt is to be retired within ten fiscal years. Although, the property tax requirement for debt service for FY2003 has increased, it is still just slightly more than \$1.73/1000 per taxable value. The increase in the levy represents the City Council's continued emphasis on maintaining the City's infrastructure.

Moody's Investor Services continues to rate the City's general obligation bonds Aaa. This rating is predicated on the City's strong financial management, a diverse and substantial economic and tax base, and a low debt burden with a rapid payout. FY02 marked our thirtieth anniversary of maintaining this rating. Moody's has rated the 1993 issue of parking revenue bonds A3.

Cash Management

The City maintains almost all deposits, except for those funds that must maintain their demand deposits separately, in one demand deposit account in the General Fund. The majority of the City's investments are handled through an investment pool. This concept provides for greater investment earnings, which are then allocated on a systematic basis. The City's overall investment earnings of \$13,006,000 was down compared to

the prior years due to the average rate of return on the City's pooled investments for FY02 being 4.26% as compared to FY01's 4.4%.

Risk Management

The City's risk management program strives to protect the City's assets in a cost effective and responsible manner using a combination of the four recognized methods of treating risks: elimination, reduction, transfer, and retention. Safety and loss prevention programs help reduce the City's exposure to risks. Those risks that cannot be eliminated or reduced are either transferred or retained. Funded self-retention of risks is being employed not only because it is cost effective but it also enables the City to: stabilize insurance costs; build a fund to provide a reliable and constant source of funds to pay claims; and provide a high level of service by handling claims promptly and courteously. In fiscal year 2002, the City transferred its risk through the purchase of liability insurance to cover its airport, aircraft, and underground petroleum storage tanks. The City retains or "self-insures" its general liability, auto liability, bus liability, errors and omissions, and police professional liability. A combination of risk transfer and risk retention is employed in handling the City's health and dental benefits, property, and workers' compensation exposures. Employee and dependent health benefits are self-insured, with a third party providing claims administration and excess stop loss insurance. Property insurance is purchased with a large deductible. Benefits due City employees under the Iowa Workers' Compensation Laws are self-insured with excess stop loss insurance. The City accounts for and finances its retained risks through the Risk Management Internal Service Fund, whose net assets were in excess of \$19.8 million dollars as of June 30, 2002. In compliance with Statement 10 of the Governmental Accounting Standards Board, the City's financial statements show as an expense and liability, the estimated cost of all claims which have occurred. Claim liabilities are based on the estimated total cost of all claims including claims reported but not settled, and claims incurred but not reported. The tort liability and workers' compensation claims liabilities are shown at a 95% confidence level, as determined by an independent actuary, in the City's June 30, 2002, financial statements. The amount of incurred but unpaid health and dental bills are also determined by an independent actuary as required by the State Code of Iowa.

OTHER INFORMATION

Form of Government

The City has operated under the Commission form of government since 1908, under which non-partisan citywide elections are held every two years for the mayor and four commissioners, each of whom runs for a specific area of responsibility and collectively form the City Council. Additionally, 250 volunteers serve on various boards and commissions.

Independent Audit

The State Code requires an annual audit of the financial statements of the City. McGladrey & Pullen, LLP Certified Public Accountants conducted the audit for FY02. Their opinion has been included in this report.

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 Rapids, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to 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 services of the entire staff of the offices of the City Controller-Auditor and City Treasurer. We would also like to thank the members of the City Council for their prudent management of the City's finances.

Respectfully submitted,

Lyle K. Hanson
Commissioner of Accounts & Finance

Robert E. McMahan
City Controller-Auditor