



# CITY OF CEDAR RAPIDS, IOWA



## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015



*About the Cover*

**Animal Care & Control Center, 900 76<sup>th</sup> Avenue Drive SW:** The Animal Control and Care Center is a 14,000 square-foot animal shelter that has the capability to house up to 43 dogs and 124 cats at one time. The \$4.55 million new facility was funded with a Federal Emergency Management Agency Public Assistance Disaster Grant for \$1 million and the remaining funding coming from local option sales tax funds. The new facility location provides ready access to I-380 and Hwy 30, which allows efficient response routes to all areas of the community.

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF CEDAR RAPIDS, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

**PUBLISHED BY  
FINANCE DEPARTMENT**

**CITY OF  
CEDAR RAPIDS, IOWA**

# CITY OF CEDAR RAPIDS, IOWA

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**CEDAR RAPIDS**

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City of Five Seasons®



December 28, 2015

The Honorable Mayor, City Council Members,  
And Citizens of the City of Cedar Rapids, Iowa:

The City of Cedar Rapids, Iowa, is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City of Cedar Rapids, Iowa (City) for the fiscal year ended June 30, 2015 as prepared by the Finance Department is hereby submitted in accordance with the provisions of Chapter 11.6 of the Code of Iowa.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because 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.

RSM US, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated single audit designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, 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, Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs is included in the section entitled Compliance Section.

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. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE CITY OF CEDAR RAPIDS**

The City of Cedar Rapids, incorporated in 1849, is located twenty-five miles north of Iowa City and one hundred-thirty miles east of Des Moines, the State Capitol. Cedar Rapids is an important manufacturing, service, and trade area servicing an eight county area with a combined population estimated at 479,394 and occupies 71 square miles. The population of Linn County based upon the 2014 census is 217,751 of which 129,195 reside within Cedar Rapids. The City of Cedar Rapids is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Cedar Rapids has operated under the city council-manager form of government since January 2006. This form of government consists of nine council members. Five of the members represent a specific district. The remaining four council members are elected at-large, with the Mayor being one of those seats. Previously, the City had operated under the commission form of government from 1908 until 2005.

The City of Cedar Rapids provides a full range of services, including 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.

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. Three component units are included in our financial report: The Eastern Iowa Airport, Cedar Rapids/Linn County Solid Waste Agency, and Cedar Rapids Public Library Foundation.

The annual budget serves as a foundation for the City's financial planning and control. The City Council is responsible for developing a budget proposal. Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than March 15 for the fiscal year beginning the following July 1. The budget is prepared by fund and function. Department directors may transfer resources within the department as they see fit.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The City of Cedar Rapids is finishing the rebuilding of its facilities and infrastructure that were damaged due to the 2008 flood. Overall, the community recovery costs are estimated to be \$5 billion dollars and it will take as long as 20 years to complete the demolition, reconstruction, and installation of adequate flood control system for the neighborhoods and downtown business district. The City continues to work closely with federal and state agencies to assist the City with finalizing recovery efforts.

City Council is clearly committed to a recovery and reinvestment effort that will not just return Cedar Rapids to pre-flood condition but make Cedar Rapids a greater, more vibrant community. A five year financial plan has been updated to reflect the financial challenges since the flood and will help the City identify its funding needs over the next five years.

Progress with flood recovery can clearly be seen throughout the flood impacted area as property buyouts and structures demolition have been completed. In addition, the City has completed construction of major facilities such as the Main Library, the Convention Center and Arena, the Hotel, City Services Building, Ground Transportation Center, and the Central Fire Station.

In addition to the above mentioned flood recovery efforts, the State of Iowa's Flood Mitigation Board on December 4, 2013 awarded the City of Cedar Rapids \$264 million toward a flood mitigation project to protect both sides of the Cedar River. This approval by the State of Iowa is significant as it will assist the City in building flood control system on both sides of the river which is currently estimated to cost \$570,430,000. The proposed flood control system includes construction of 6.24 miles of levee and floodwalls (permanent and removable), 11 pump stations, 21 roadway and railroad gate closures, improvements to a flood prone bridge (elevation of approaches), and design on a second river crossing.

The City of Cedar Rapids has been recognized over the past year nationally:

- The City ranks in top 10% of nation's best affordable places to live.
- The City ranks 7<sup>th</sup> most livable city for median cities (pop. 100,000 to 500,000)
- The City ranks 6<sup>th</sup> best place to start a business in the nation.
- The City was the 1<sup>st</sup> in State of Iowa to install protected bike lanes.
- Cedar Rapids Public Library received 2015 American Institute of Architects/American Library Association Library Building Award.
- The City ranked 65 in 2015 Top 100 places to live.
- The City ranked 6<sup>th</sup> best budgeters in the United States

Cedar Rapids is one of only seven cities in Iowa to have adopted a complete streets policy – directing transportation planners and engineers to design road improvement projects that enable safe access to all users, regardless of age, ability or mode of transportation.

The City of Cedar Rapids is committed to using community resources and incentives as a catalyst to promote business growth and investment by the private sector. The following five (5) objectives, adopted by the City Council in the Economic Development Investment Policy, provide a framework for consideration to ensure both sound investment and quality results.

1. Facilitates significant investment that demonstrates growth of the tax base and strong commitment to the community.
2. Facilitates creation or retention of high-quality jobs.
3. Encourages diversification in the regional economic cluster and employment base.
4. Provides a long-term community benefit in return for the City's investment.
5. Demonstrates quality development that exceeds City development standards and is consistent with the City's Smart Growth Development principles.

#### Refining our Economic Development Strategy

The City of Cedar Rapids recently partnered with AngelouEconomics, one of the nation's leading economic development consulting firms, to develop a comprehensive strategy to leverage Cedar Rapids' assets for future economic prosperity.

Cedar Rapids' unemployment rate decreased 0.7% to 3.8% for fiscal year ending 2015, which is slightly higher than the state unemployment rate of 3.7% and is lower than the national unemployment rate of 5.3% for the same time period.

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

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

#### **Long-term financial planning**

The minimal fund balance in the general fund is \$29.2 million or 70% of total fund balance less nonspendable fund balance. This percentage falls within the City's policy guidelines for reserves, which at a minimum must be 25 percent of next fiscal year's budgeted general fund expenditures as established by Council resolution. By maintaining an appropriate reserve balance the City is able to react to both known and unknown events that will have an impact on the City finances without disrupting services provided to its citizens in the short term.

The City completed a five year financial plan for all operating departments and capital improvement programs. The financial plan is a necessary element of Cedar Rapids strategy to remain competitive in today's demanding environment. The City's financial plan will provide a road map into the future and a framework for future decision-making. This financial plan reflects the following financial principles: 1) Sustainability; 2) Long-term Community Affordability; 3) Competitive and Responsive Community Services; and 4) Protecting Community Investment and Value.

In addition to the financial plan, performance measurements have been created by all City departments to measure effectiveness, efficiency, customer service, and organizational climate. These measurements will be reported on a regular basis to the City Council, City staff, and citizens of Cedar Rapids.

### **Relevant financial policies**

#### Internal Controls

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 generally accepted accounting principles. 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 short-term daily operations and long-range planning. The City adopts its annual program budget to include all funds except fiduciary 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 and 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 assigned in 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 develops and issues a five year capital improvements program as part of the annual budget, which is funded primarily through the sale of general obligation and revenue bonds, local option sales tax, and federal and state grants.

## Debt Administration

The City's debt management policy strives to repay 30 to 60 percent of the principal amount of its general obligation debt within five years and at least 60 percent within ten fiscal years. Capital projects financed through issuance of debt are programmed to be paid off completely within the expected useful life of the capital project. Currently, the City is on pace to repay over 68 percent of its GO debt and over 65 percent of all debt within ten fiscal years. Moody's Investor Services rate the City's general obligation bonds Aa1. This rating is predicated on the City's strong financial management, a diverse and substantial economic and tax base.

## Cash Management

The City maintains almost all deposits, except for those funds that must maintain their demand deposits separately, in one demand deposit account. 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.

## 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 identify and reduce the City's exposures to risks. Risks that cannot be eliminated or reduced are transferred when possible and cost effective. Retaining risks by self-funding enables the City to stabilize insurance costs, build a fund to provide a reliable and constant source of funds to pay claims, and seeks to provide a high level of service by handling claims promptly and courteously. During fiscal year 2015, the City purchased liability insurance to cover its airport, underground fuel tanks, two specific vehicles used in housing operations and liquor liability. The City self-insures up to \$500,000 for its general liability, errors and employment practices liability, police liability, auto liability and bus liability exposures which are accounted for and financed under a separate subdivision of the Risk Management Fund with claims exceeding \$500,000 being covered through purchasing of an insurance policy. The City also self-insures its health insurance and dental insurance in addition has purchased stop loss insurance to protect the health fund. Workers compensation is self-insured and does not use excess insurance. The City's property exposures are insured through a large deductible program. The City accounts for and finances its retained risks through the Risk Management Internal Service Fund. 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, 2015 financial statements. The amount of incurred but unpaid health and dental bills were determined by an independent actuary along with calculations to comply with Statement 45 of the Governmental Accounting Standards Board.

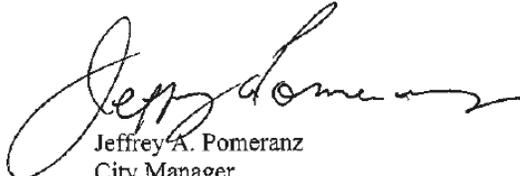
## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cedar Rapids, Iowa, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the thirty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

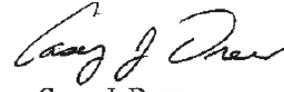
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the efficient and dedicated services of the Finance Operations General Accounting division as well as the entire staff of the Finance Department. We would also like to thank the members of the City Council for their prudent management of the City's finances.

Respectfully submitted,



Jeffrey A. Pomeranz  
City Manager



Casey J. Drew  
Finance Director



Government Finance Officers Association

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

Presented to

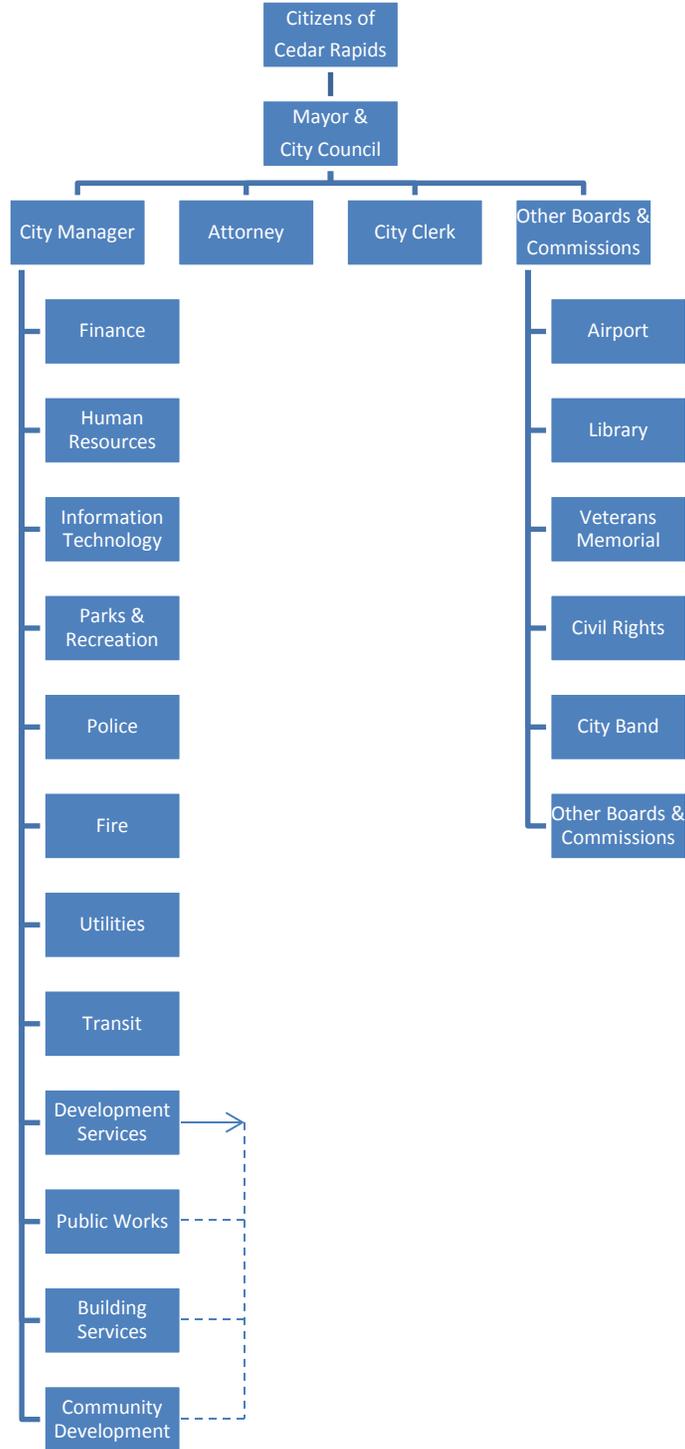
**City of Cedar Rapids  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# The City of Cedar Rapids Organizational Chart



# **CITY OF CEDAR RAPIDS, IOWA**

## **City Manager Form of Government**

### **CITY COUNCIL**

**Ron Corbett**  
Mayor

**Sussie Weinacht**  
At-Large

**Ann Poe**  
At-Large

**Ralph Russell**  
At-Large

**Kris Gulick**  
District 1

**Monica Vernon**  
District 2

**Pat Shey**  
District 3

**Scott Olson**  
District 4

**Justin Shields**  
District 5

### **STAFF**

**Casey J. Drew, CPA**  
Finance Director

**Jeffrey A. Pomeranz**  
City Manager