

# 2015



# ANNUAL REPORT



## COUNCIL BLUFFS WATER WORKS

*Safe Drinking Water Is Our Business*

## ***MISSION STATEMENT:***

***THE COUNCIL BLUFFS WATER WORKS IS COMMITTED TO PROVIDING THE BEST POSSIBLE SERVICE WHILE SUPPLYING ADEQUATE QUANTITIES OF HIGH QUALITY TAP WATER TO MEET ALL THE DOMESTIC, INDUSTRIAL AND FIRE PROTECTION NEEDS OF OUR CUSTOMERS AND OUR COMMUNITY.***

Front Cover Photo: Lowering the tunneling head into the shoring at the Council Point Water Purification Plant to bore 36" Water Main Underneath the Indian Creek.

## CHAIRMAN'S REPORT

During the past 13 years the Council Bluffs Water Works (CBWW) was involved in a contested case with the Iowa Department of Natural Resources (IDNR) concerning whether CBWW should be allowed to continue the discharge of lime residuals to the Missouri River from our Narrows Water Purification Plant. The discharge of lime residuals to the Missouri River has long been practiced by numerous water utilities along the Missouri River and has been permitted or allowed by many States. Under the Clean Water Act States may exercise a great deal of flexibility in addressing this discharge. After numerous meetings and protracted negotiations at many levels with IDNR regulators, we arrived at a cost effective settlement agreement that will save Council Bluffs water customers, residential and commercial, tens of millions of dollars. This was not an easy task. However, with diligence and persistence from all, we accomplished that which some may not have thought possible, that being a fair and reasonable NPDES permit that protects environmental concerns at a reasonable cost. The newly issued NPDES permit includes Best Management Practices and was approved by United States Environmental Protection Agency Region 7. We wish to thank all of those who supported our efforts that saved our customers this unnecessary expense.

In 2015, we completed the acquisition of nearly 30 acres of land adjacent to CBWW properties on North 25<sup>th</sup> Street. This land acquisition will ensure that the Water Works has adequate land for future development and source water protection of our existing alluvial groundwater wells.

The number of systems, facilities and infrastructure required to provide safe drinking water to our customers is truly remarkable. We have two water plants, five booster pump stations, numerous reservoirs and elevated storage tanks. These are the systems you can see. All these complex systems are integrated and work seamlessly together to such a degree that our customers expect and even take for granted the magic of having unlimited safe drinking water at the touch of their hand. However, our most valuable assets are the 300 miles of distribution water mains that course underground throughout the city, quietly delivering water to our customers. While this critical asset is out of sight, it is not out of our minds. Water main replacement is not only a local issue but a national issue. The majority of our capital improvement dollars will be directed toward replacement of water distribution mains throughout the City for years to come. As the City prepares to undertake the reconstruction of West Broadway, we too will be required to expend significant funds for the replacement of water main that is over a century old. The Water Works will not be the beneficiary of any funding the City receives from the State going toward the reconstruction, therefore, it will be necessary for the Board to fund this project through water rates. Water main replacement must be and will be a top priority for the Board of Water Works Trustees for the foreseeable future. Even in these times of limited resources we must fund and reinvest in our water system to meet our obligations to future generations and fulfill our mission to provide safe drinking water at affordable rates.

A well maintained public water system is essential to a community's public health, public safety, economic development, quality of life. The Board of Water Works Trustees and Water Works employees will meet any challenge to fulfill its obligation and mission to our customers to provide a safe, dependable and affordable supply of high quality drinking water from the tap. Please read this report that details the accomplishments and challenges of the dedicated employees of the Council Bluffs Water Works.

Michael J. Wallner  
Chairperson

Trustees:  
Carl L. Heinrich  
Martin L. Brooks  
Maureen R. Kruse  
Caitlin A. Beresford

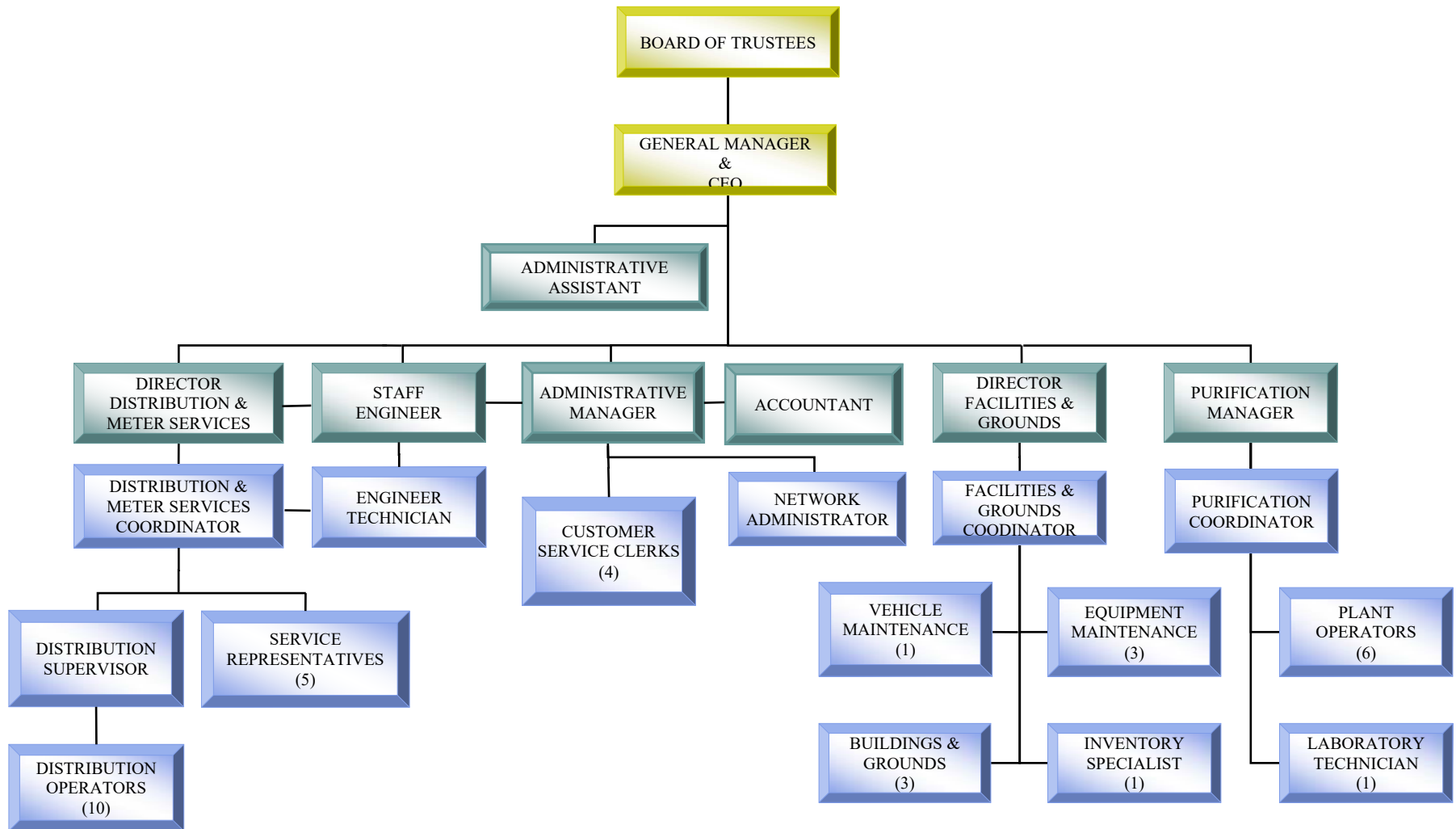
**2015  
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 1,500 Cubic Feet	\$3.16	\$4.74
Next 28,500 Cubic Feet	\$2.30	\$3.45
Over 30,000 Cubic Feet	\$1.45	\$2.18

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 3,000 Cubic Feet	\$3.16	\$4.74
Next 57,000 Cubic Feet	\$2.30	\$3.45
Over 60,000 Cubic Feet	\$1.45	\$2.18

Cubic foot = 7.48 gallons  
 100 cubic feet (CCF) = 748 gallons

# COUNCIL BLUFFS WATER WORKS ORGANIZATIONAL CHART



**ORGANIZATION**  
**AND**  
**PERSONNEL**

**BOARD OF WATER WORKS TRUSTEES**

Chairperson	Michael J. Wallner	term expires June 30, 2016
Trustee	Carl L. Heinrich	term expires June 30, 2021
Trustee	Martin L. Brooks	term expires June 30, 2019
Trustee	Maureen R. Kruse	term expires June 30, 2016
Trustee	Caitlin A. Beresford	term expires June 30, 2018

***STAFF***

CEO and General Manager:	Douglas P. Drummey	Iowa Grade IV Operator
Administrative Assistant:	Celestine Powell	
Staff Engineer:	Brian T. Cady	Professional Engineer

***PURIFICATION DEPARTMENT***

Purification Manager:	John M. Meads	Iowa Grade IV Operator
Coordinator:	---	---
Personnel:	Rodney A. Scott	Iowa Grade IV Operator
	Timothy C. Parker	Iowa Grade IV Operator
	Joseph S. Rhoades	Iowa Grade III Operator
	Brandon L. Wear	Iowa Grade III Operator
	Ian J. Cassidy	Iowa Grade II Operator
	Ketrick E. Dilworth	Iowa Grade II Operator
	Cody R. Weddon	Iowa Grade I Operator

***DISTRIBUTION & METER SERVICES DEPARTMENT***

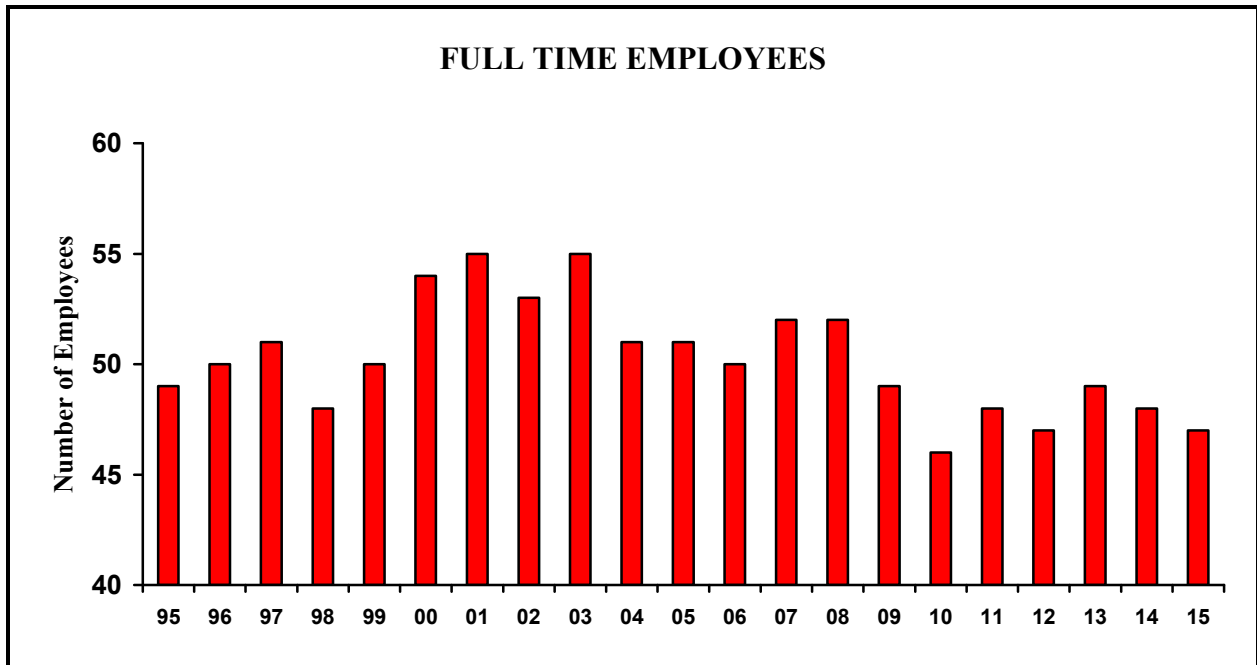
Director:	William E. Wiggins Jr.	Iowa Grade IV Operator
Coordinator:	Douglas P. Adkins	Iowa Grade II Operator
Supervisor:	Josh W. Ryan	Iowa Grade II Operator
Engineering Technician:	Karen R. Cedeno-Perdue	
Distribution Personnel:	Matthew L. Farrell	Iowa Grade II Operator
	John D. Penney	Iowa Grade II Operator
	Jeffrey A. Schuster	Iowa Grade II Operator
	Sammy J. Hughes	Iowa Grade I Operator
	Dustin L. Christensen	Iowa Grade I Operator
	Robert D. Hildreth	Iowa Grade I Operator
	Edwin C. Kuhl	
	Michael J. Tornblom	
	Jeffrey S. Chanley	
	Zachery L. Williams	
Meter Personnel:	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	
	Chad M. Springer	
	Kyle W. Newsom	

***FACILITIES & GROUNDS DEPARTMENT***

Director: Raymond P. Stevens Iowa Grade IV Operator  
Coordinator: Phil V. Kinart Iowa Grade II Operator  
Personnel: Mark P. Applegate  
James L. Smith Jr.  
Joseph A. Masker  
Shane E. Ruckman  
Frank J. Bouska Jr.  
Joseph J. Allan  
Elden D. Tackett  
Andrew D. Diller

***CUSTOMER SERVICE & ACCOUNTING DEPARTMENT***

Administrative Manager: Karen A. Wisniski  
Systems Administrator: Bruce M. Riegel  
Personnel: Travis P. Anderson  
Lisa A. Hammer  
Loni N. Neve  
Amy M. Driver  
Alyssia J. Wiebold





**HIGHLIGHTS**  
**AND**  
**STATISTICS**

**PURIFICATION DEPARTMENT**

The Purification Department’s primary responsibility is to produce safe drinking water in compliance with all Federal and State Drinking Water Standards. The Council Bluffs Water Works delivered 3,959,262,000 gallons of potable water to our customers in 2015. The Narrows Water Purification Plant produced 3,128,912,000 gallons for an average of 8.572 million gallons per day in 2015. The Council Point Water Purification Plant produced 830,350,000 gallons for an average of 2.275 million gallons per day in 2015. In typical fashion our peak month occurred in July, when 417,480,000 gallons of water was pumped to the system at an average daily flow of 13.47 million gallons of water a day. The peak day occurred on July 24<sup>th</sup> when 15,920,000 gallons was pumped to the system.

The Council Bluffs Water Works over the last few years had been in the process of replacing aging chemical feed systems at the Narrows Water Purification Plant including the chlorination systems. The Narrows Purification Plant utilizes chlorination as its primary disinfectant but also has the ability to feed chlorine as a pre-treatment oxidant if required. In 2015, two new chlorinators were replaced completing that project. The current system consists of four chlorinators. The units are wall mounted V-2000 automatic gas feeders with electronic actuator/flow proportional controllers with four vacuum regulator units. The chlorination system is a vital part of the Narrows Water Purification Plant and completion of the project will provide uninterrupted service for years to come.

The Council Point Water Purification Plant has brought with it additional operational procedures. The department performed numerous recovery and maintenance cleans to the Ultra Filtration (UF) System throughout 2015 in order to maintain optimum performance. Council Point has three UF trains with four sets of cassettes. Each cassette contains 57 modules. Each module contains 30,000 fibers that are cleaned routinely to keep the filtration fibers performing properly. There is a weekly clean referred to as a “Maintenance Clean” and a monthly clean referred to as a “Recovery Clean”. Both of these cleans keep the UF fibers free of inorganic and organic fouling and functioning within given parameters to increase the lifespan of the UF fibers. This is an involved process with many steps. In all, 291 maintenance cleans and 87 recovery cleans were performed by the department in 2015.

The Council Bluffs Water Works Certified Bacteriological Laboratory received a purchased a new autoclave in 2015. The new autoclave is a Tuttnauer 3850E and is an essential and required piece of equipment in keeping the Council Bluffs Water Works Laboratory certified by the State of Iowa to perform bacteriological analysis. The autoclave is a pressure chamber used to sterilize lab equipment and supplies by subjecting them to high pressure saturated steam at 121 °C for 15–20 minutes depending on the size of the load and the contents. The Council Bluffs Water Works Certified Bacteriological Laboratory processed a total of 2,754 bacteriological samples in 2015. Of the samples processed, 1,867 were for the Council Bluffs Water Works, 480 for other public water supplies, 152 pool samples, and 255 “Special Purpose” samples which consist of samples taken after water main breaks. The Laboratory Technician also collected 192 samples for disinfection by-product analysis and 168 total suspended solid samples for National Pollutant Discharge Elimination System/Sanitary Discharge Compliance.

2015 Water Quality Facts and Figures

**Narrows Water Purification Plant**

Total Gallons Pumped to System	3,128,912,000
Average Gallons Pumped to System (daily)	8,572,000
Maximum Gallons Pumped to System (single day)	12,100,000
Average Gallons Used Per Person Per Day	173
Source of Water	Missouri River & Missouri River Alluvium

Finished Water Chemical Analysis

pH	9.2 (units)
Alkalinity	58 (ppm) (parts per million)
Hardness	158 (ppm)
Calcium	100 (ppm)
Magnesium	58 (ppm)
Non-Carbonate Hardness	100 (ppm)
Total Chlorine	2.25 (ppm)
Fluoride	0.68 (ppm)
Turbidity	0.07 (NTU) (Nephelometric Turbidity Units)
Annual Average Temperature (Fahrenheit)	57 degrees

**Council Point Water Purification Plant**

Total Gallons Pumped to System	830,350,000
Average Gallons Pumped to System (daily)	2,275,000
Maximum Gallons Pumped to System (single day)	4,470,000
Average Gallons Used Per Person Per Day	173
Source of Water	Missouri River Alluvium

Finished Water Chemical Analysis

pH	7.7 (units)
Alkalinity	184 (ppm)
Hardness	154 (ppm)
Calcium	108 (ppm)
Magnesium	45 (ppm)
Total Chlorine	2.16 (ppm)
Fluoride	0.70 (ppm)
Turbidity	0.04 (NTU)
Annual Average Temperature (Fahrenheit)	58 degrees

The following chemicals and quantities were used to treat our water:

**Narrows Water Purification Plant**

<b><u>Water Treatment Chemical</u></b>	<b><u>Tons Used</u></b>	<b><u>\$ Cost</u></b>
Lime	1,782.3	\$319,394
Soda Ash	104.7	32,069
Ferric Sulfate	129.5	76,244

Liquid Chlorine	59.7	41,744
Sodium Silicofluoride	7.8	7,917
Polymer	8.2	9,010
Anhydrous Ammonia	7.5	12,834
Sodium Chlorite	10.4	19,282
Powder Activated Carbon	3.7	4,770
Sodium Hexametaphosphate	4.9	10,025
Potassium Permanganate	.1	<u>473</u>
Total Water Treatment Chemical Cost		<u>\$533,762</u>

**Council Point Water Purification Plant**

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
MCI300 Antiscalant	15.3	\$ 47,545
Aqueous Ammonia	9.5	4,175
Citric Acid	7.3	7,906
Hydrofluosilicic Acid	11.8	8,339
Hydrochloric Acid	103.7	37,335
Ortho-polyphosphate	3.4	3,482
Kleen MCT - 105, Low pH	2.4	25,341
Kleen MCT - 405, High pH	2.3	11,270
Sodium Bisulfite	4.3	2,085
Sodium Hydroxide	153.7	44,405
Sodium Permanganate	46.4	74,669
Sodium Chloride	81.8	<u>13,890</u>
Total Water Treatment Chemical Cost		<u>\$280,442</u>

***DISTRIBUTION DEPARTMENT***

The Distribution Department is responsible for the maintenance and operation of all underground facilities in the water distribution system and fire hydrants, including 298.60 miles of water main, 8,001 valves and 2,939 fire hydrants. The departments respond to emergency call-outs 24/7 under all weather conditions to repair water main breaks and restore water service to Water Works' customers in a timely manner.

In 2015, the Distribution Department continued with the leak survey of our entire system, maintained all fire hydrants and painted 360 hydrants as part of our annual hydrant maintenance program. To date, 2,892 fire hydrants have been painted. Additionally, our personnel responded to 137 emergency call-outs throughout the year during all hours and weather conditions to ensure continued water service to our customers.

The Distribution Department's water main replacement efforts this year continued in support of city street and sewer replacement projects. Water mains were also added in new developments. Department personnel repaired approximately 2,671 square yards of Portland Cement Concrete (PCC) paving, 157 square yards of additional (PCC) paving and 804 square yards of asphalt overlay was installed by various contractors.

This year the department:

Made 135 small taps, and 31 purification taps  
Replaced/killed 54 lead services  
Checked 347 service leaks  
Turned on/off 108 services  
Repaired 48 service lines and 115 curb boxes  
Replaced 5 services from the main to stop box  
5 services were moved for construction by Water Works personnel  
71 services were connected by contractors  
Killed 45 services at the main and 18 at the curb stop  
Answered 5,191 requests for service line or main location  
Turned 460 large valves, rebuilt 4, replaced 10 and added 3 new valves  
Installed 8 additional valves with Water Works mains  
Repaired 64 main leaks, moved 17 water mains.  
Repaired 19 valve boxes  
Made 11 large taps (4 inches and above)  
Removed 20 fire hydrants from service which were obsolete, damaged or for main replacement  
9 Hydrants were replaced by Water Works personnel  
Hydrants painted and domes color coded by an outside contractor 360  
Hydrants listened to while performing leak survey 3,572  
Hydrant flow tested 230  
Checked 3,681 hydrants  
Repaired 48 hydrants  
Relocated 3 hydrants  
Flushed 378 hydrants  
Thawed out 19 fire hydrants

Observed installation of 3,394 feet of new mains installed by contractors.

Mains installed by the Distribution Department were:

548	feet of 6	-	inch main
1,853	feet of 8	-	inch main
71	feet of 10	-	inch main
6	feet of 12	-	inch main

Mains installed by contractors were:

155	feet of 6	-	inch main
3,236	feet of 8	-	inch main
3	feet of 10	-	inch main

### ***METER SERVICES DEPARTMENT***

The Meter Department's primary function is to read over 22,000 water meters on a monthly and bi-monthly basis, repair and replace meters as needed, complete disconnect and reconnect orders, collect delinquent accounts and respond to service call requests as needed.

In 2015, the Meter Department continued to upgrade and exchanged 343 water meters as part of our meter replacement program. While continuing to maintain and upgrade the Water Works' 22,000 plus water meters, we installed an additional 521 radio read meters to improve meter reading efficiency.

In addition to the meter exchanges this year the department:

Replaced 94 dead meters  
Removed 36 meters for demolition  
Repaired 67 leaking meters  
Replaced 93 frozen meters  
Installed 246 touch pads  
Installed 521 radio reading devices  
Exchanged 126 radio reading devices  
Exchanged 327 radio reading batteries  
Set 90 new addresses with meters  
Set 11 new addresses with large meters  
Exchanged 142 small meters  
Exchanged 15 large meters  
343 meters were exchanged for the Meter Exchange Program  
308 notes were left to exchange meter  
183 meters were tested for accuracy or malfunction  
Wired 117 new construction homes  
Rewired 101 existing customer homes  
Monitored 725 new construction homes  
Checked 50 homes for low water pressure  
Surveyed 290 account for leaks  
Set and Removed 190 Hydrant Meters  
Performed 3,340 final readings  
Read 3,490 RMMS (Reading Meter Management System)  
Researched 285 high bill orders  
Verified 191 meter readings  
1,118 notes were left to read the meter  
Turned on 798 delinquent accounts for Customer Service  
4,435 cards were left for delinquent accounts  
Turned on 1,245 water services  
Turned off 1,026 water services  
Inspected Pump Stations 489 times  
Investigated 2 water main leaks  
Investigated 65 service leaks  
Inspected 52 Fire Hydrants  
There were 142,326 meter readings

### ***FACILITIES & GROUNDS DEPARTMENT***

The Facilities and Grounds Department is responsible for the maintenance of all facilities, equipment, buildings and grounds, including the Narrows and Council Point Water Purification Plants, Administration Building, five (5) Booster Pump Stations, four (4) Ground Storage Reservoirs, and five (5) Elevated Storage Tanks. The eleven (11) locations account for approximately 217 acres of land spread throughout the city, along with all of the equipment at and within those facilities, including but not limited to HVAC systems, pumps and their control systems, telemetry and process monitoring equipment. The Facilities and Grounds crew takes pride in maintaining the appearance of all Water Work's properties and facilities.

Department personnel oversee the daily operations of the store room and warehouse. The Inventory Specialist is responsible for the purchase, storage and allocation of material and resources needed for all departments with an inventory valued at \$800,000.00.

The department maintains the organizations vehicle and equipment fleet with over forty (40) pieces of equipment including automobiles, service trucks, dump trucks, backhoes, tractors, mowers, compressors, welders, trailers and specialty equipment used for concrete and water main repair.

Power and fuel are essential to our operations. It took 8,629,411 kWh of electricity at a cost of \$501,923.41 to process and distribute nearly four billion gallons of water. We also used 19,379 gallons of lead free gasoline at a cost of \$39,968.95 and 10,243 gallons of red diesel fuel at a cost of \$19,927.23 to fuel the Water Works fleet. We used 29,242 Thousand Cubic Feet (MCF) of natural gas at a cost of \$22,281.64 to heat our buildings and structures.

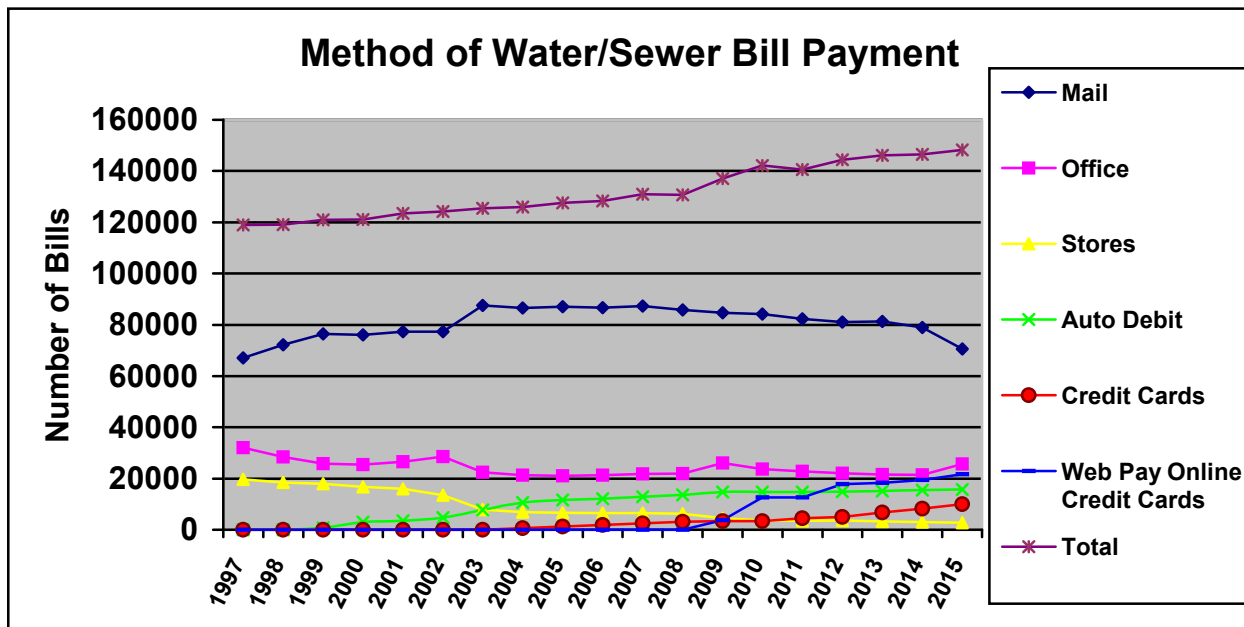
**CUSTOMER SERVICE & ACCOUNTING DEPARTMENT**

Our Customer Service Representatives do an excellent job assisting Water Works customers with their questions concerning their bills, turning on/off services, signing up for service and paying bills, whether it is by telephone or in person. If Customer Service needs to send a Service Representative to the customer’s location, a service order is prepared for the Meter Department and then processed when the order is completed.

In 2015, the department mailed out 138,115 water bills, and sent 36,882 reminder notices and 18,996 shut-off notices to customers. There were 146,344 payments processed. There were 15,722 automatic bank payments. There were 7,310 service orders processed for final readings, high bills, dead meters, or to install new meters. There were 773 meters installed or replaced. Customer Service Representative made 1,516 payment arrangements with customers. 1,135 water bills were paid on the day of shut-off and 1,141 services were discontinued for non-payment. There were 147 returned checks that had to be collected from customers. 4,365 service contracts were processed to transfer, reinstate or add new customers to the system.

The Council Bluffs Water Works continues to see an increase in the number of customers paying their bills on our website. There were 10,002 credit card payments and 21,637 online web credit card payments.

The Accounting Department processed \$16,309,180.06 in receipts and payments in 2015, including processing water and sewer bill payments and making the daily bank deposits. The department is responsible for processing accounts payable invoices, checks, payroll, the budget, fixed assets and other information for the general ledger. The department prepares monthly reports for the Board and other departments. The most recent audit found no irregularities or deficiencies in accounting practices and procedures.



**GENERAL INFORMATION**

The Council Bluffs Water Works has 21,549 active service accounts: 19,733 residential; 1,816 are commercial or industrial.

Last year, total production was 3,959,262,000 gallons.

Residential customers consumed 1,038,808,188 gallons in 2015. The average residential customer used 52,643 gallons at a cost of \$240.31 per year or \$20.03 per month.

Our top ten customers consumed 1,292,013,668 gallons, 33% of total production.

**SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA**

639 outside-City customers paid \$681,152.98 for 182,334,724 gallons of water.

The City of Crescent paid \$49,017.72 for 17,766,496 gallons of water.

Regional Water paid \$135,567.14 for 44,867,284 gallons of water.

In total, outside City customers paid \$865,737.24 for 244,968,504 gallons of water. This represents 8.3% of metered water sales and 6.2% of total water production.

**SERVICES PROVIDED TO THE CITY OF COUNCIL BLUFFS, IOWA**

The Council Bluffs Water Works provided 39,008,948 gallons of water to the City free of charge, having a value of \$140,571.20. Also, on behalf of the City, the Council Bluffs Water Works collected \$5,029,979.46 in sewer use fees.

**TOP TEN CUSTOMERS**

	<u>2015 Rank</u>	<u>2014 Rank</u>
1. Google, Inc. (Council Bluffs)		2
2. ConAgra Frozen Foods		1
3. MidAmerican Energy Co.		3
4. Bunge Corporation		4
5. Tyson Foods, Inc.		5
6. Tetra, LLC		unranked
7. Plumrose USA, Inc.		6
8. City of Council Bluffs		7
9. Regional Water		8
10. Iowa Western Community College		9

The Council Bluffs Water Works has 298.60 miles of water mains consisting of:

1-inch main	3,192	feet
1 ¼-inch main	310	feet
1 ½-inch main	138	feet
2-inch main	1,054	feet
4-inch main	47,482	feet
6-inch main	599,906	feet
8-inch main	331,797	feet

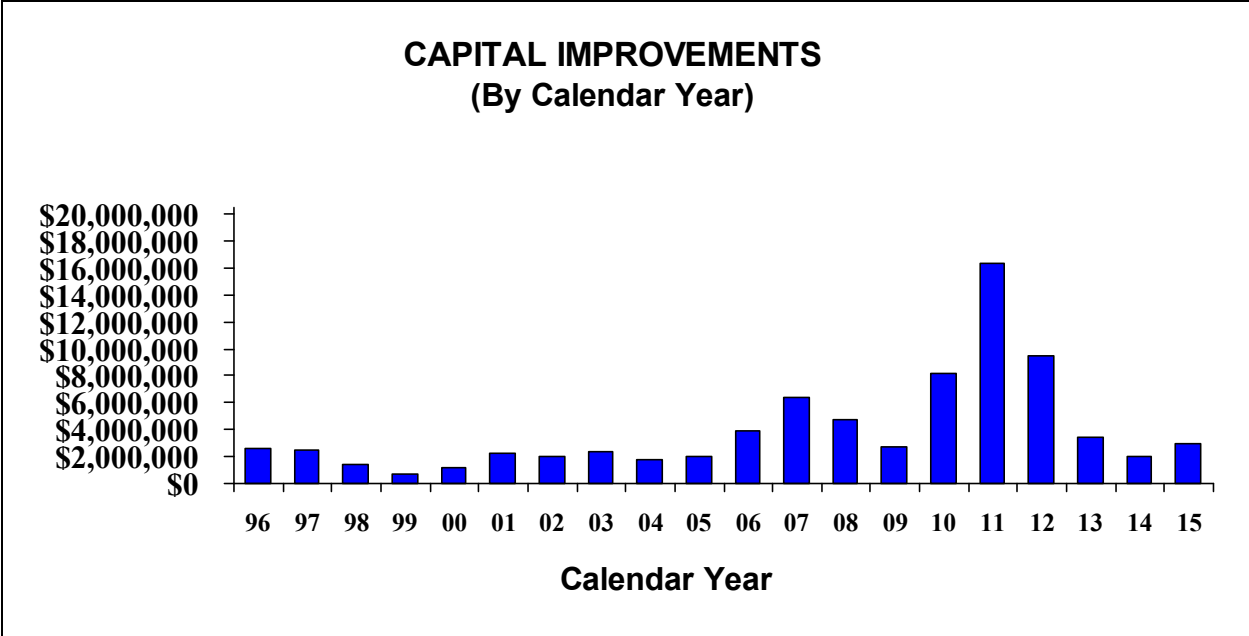
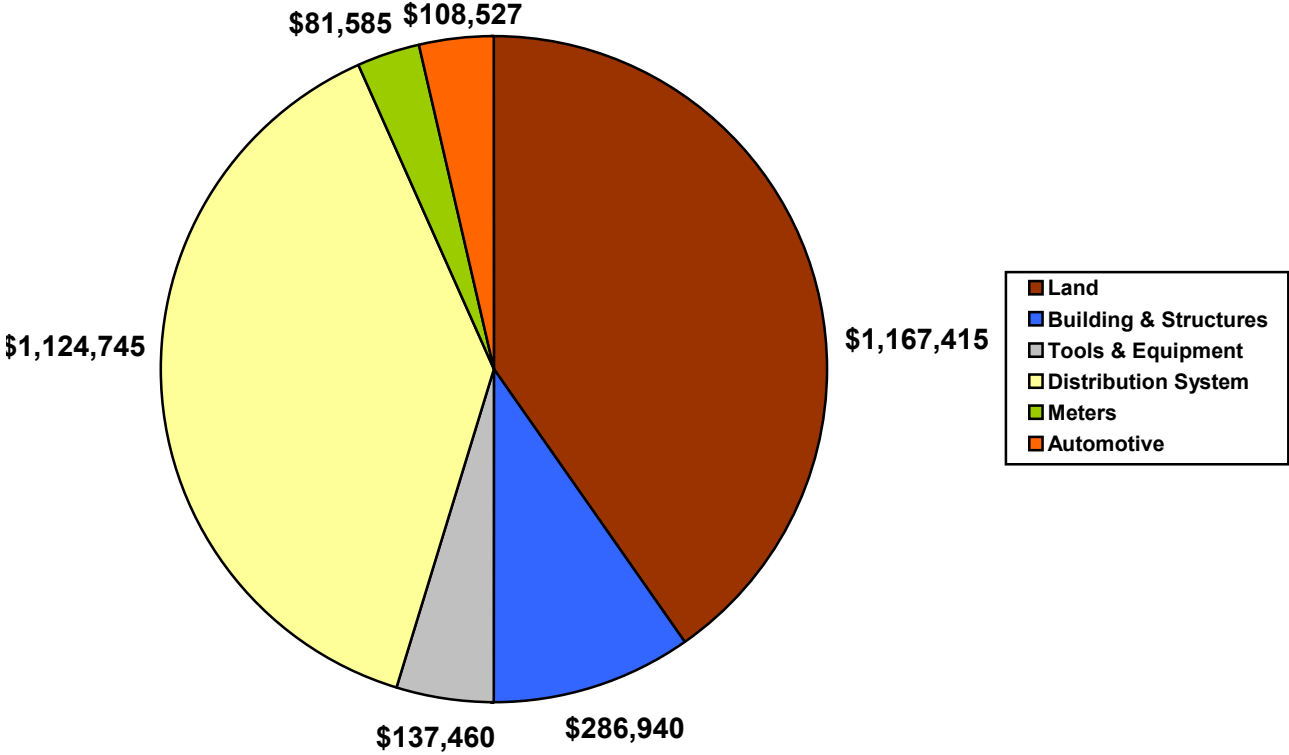


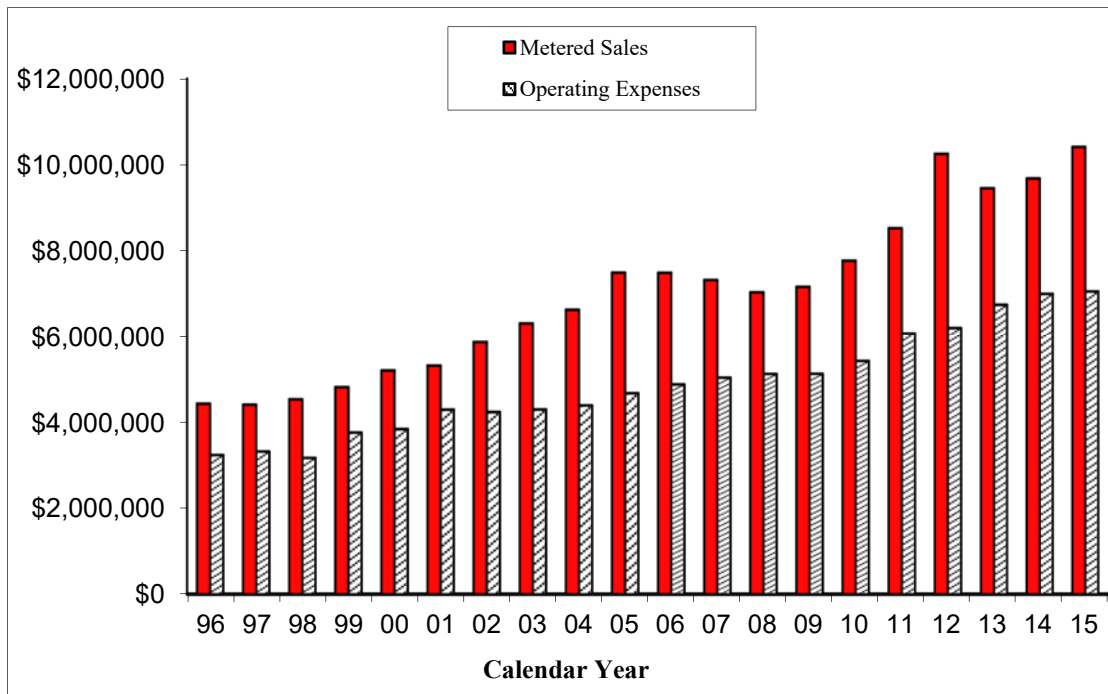
10-inch main	154,887	feet
12-inch main	218,621	feet
16-inch main	163,409	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	13,638	feet
36-inch main	8,995	feet

Number of Hydrants: 2,939

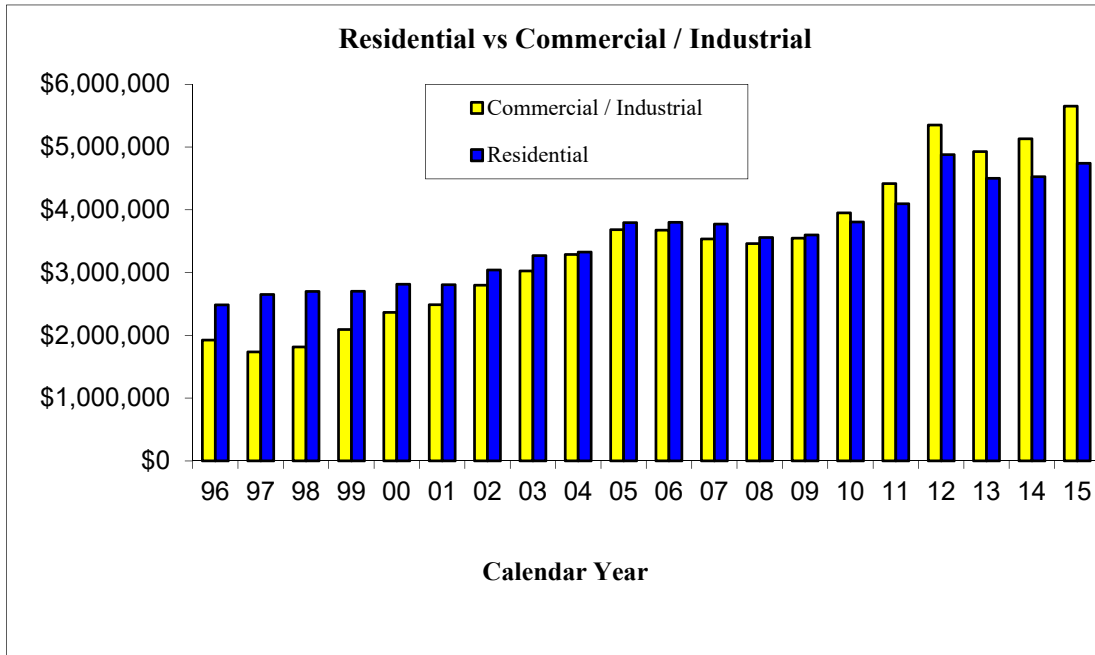
Number of Valves: 8,001

**2015 CAPITAL IMPROVEMENTS  
TOTAL \$2,906,672**





**METERED SALES vs OPERATING EXPENSES**



**WATER REVENUE**

**COUNCIL BLUFFS WATER WORKS  
PUMPAGE & METERED CONSUMPTION  
(1,000'S Gallons)  
2015**

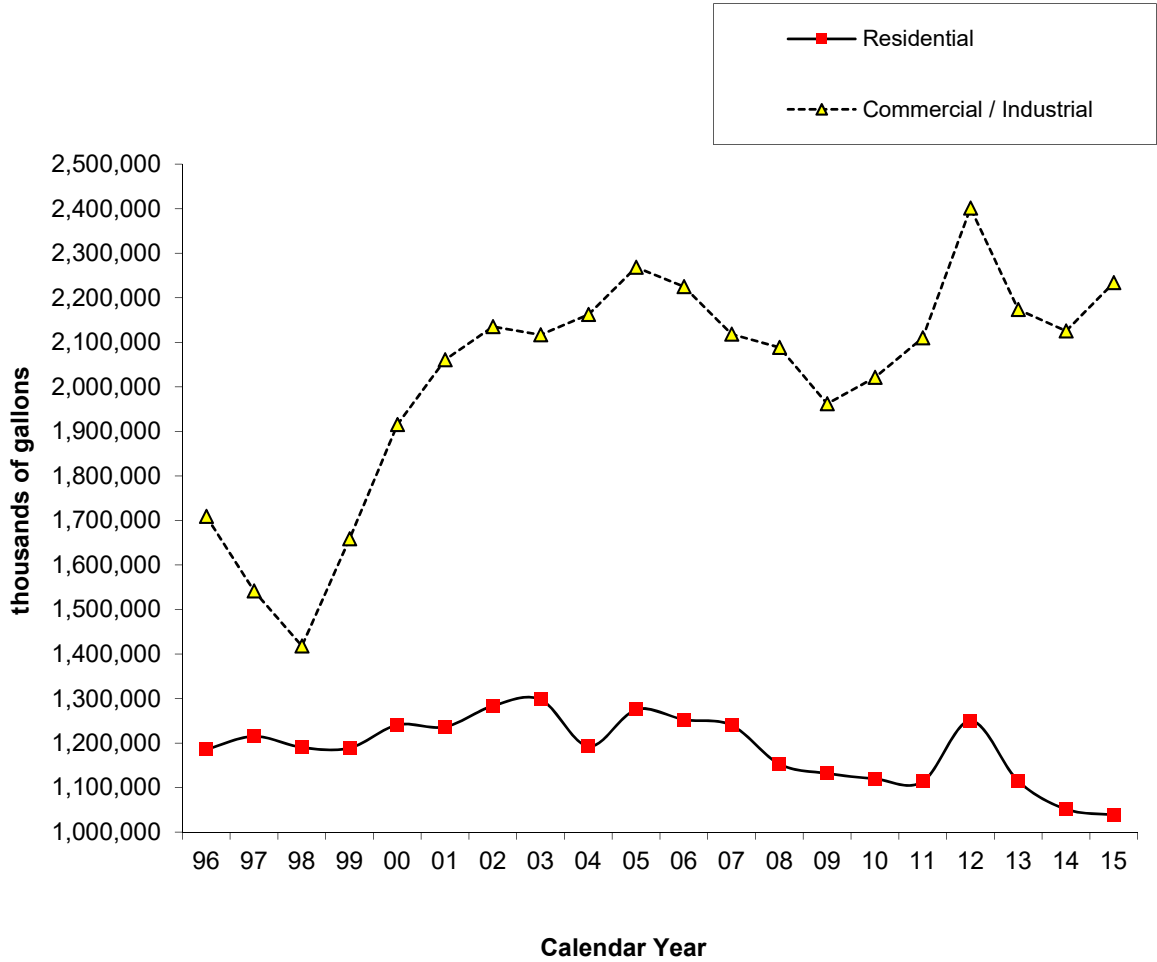
<u>MONTH</u>	<u>PUMPAGE TOTAL</u>	<u>METERED CONSUMPTION TOTAL</u>	<u>CONSUMPTION COMMERCIAL &amp; INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	303,240	225,951	146,304	79,647
February	272,840	228,346	147,511	80,835
March	319,331	236,639	159,267	77,372
April	315,212	249,582	163,812	85,770
May	310,080	260,579	183,750	76,829
June	363,200	288,243	202,186	86,057
July	417,480	342,705	256,036	86,669
August	406,480	358,848	241,580	117,268
September	354,053	310,194	215,877	94,317
October	329,966	290,567	196,492	94,075
November	285,480	238,979	158,149	80,830
December	281,900	242,355	163,217	79,138
Totals 2015	3,959,262	3,272,988	2,234,181	1,038,807
Ratio		82.7%	56.5%	26.2%
Totals 2014	3,769,728	3,177,234	2,125,430	1,051,804
Ratio		84.3%	56.4%	27.9%
Totals 2005	4,165,866	3,543,889	2,268,592	1,275,297
Ratio		85.1%	54.5%	30.6%

**COUNCIL BLUFFS WATER WORKS  
METERED SALES (\$)  
2015**

<u>MONTH</u>	<u>TOTAL</u>	<u>COMMERCIAL &amp; INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	730,330	380,458	349,872
February	734,729	377,513	357,216
March	774,397	409,904	364,493
April	810,434	414,058	396,376
May	830,807	471,336	359,471
June	907,776	505,925	401,851
July	1,019,263	622,188	397,075
August	1,111,869	596,074	515,795
September	972,976	548,246	424,730
October	923,551	494,744	428,807
November	784,333	410,802	373,531
December	792,744	419,987	372,757
Totals 2015	10,393,209	5,651,235	4,741,974
Ratio		54.4%	45.6%
Totals 2014	9,659,052	5,131,923	4,527,129
Ratio		53.1%	46.9%
Totals 2005	7,478,935	3,683,375	3,795,560
Ratio		49.2%	50.8%

# RESIDENTIAL VERSUS COMMERCIAL / INDUSTRIAL

## WATER USAGE



## ***HISTORY***

Construction of the Council Bluffs Water System began in 1881 by the American Construction Company of New York City, which had been granted a 25-year franchise by the City of Council Bluffs. Under the franchise, the American Construction Company was to construct and operate a water system. The system constructed was very inferior, and during the life of the franchise, practically no improvements or extensions were made. As a result, along with the poor service rendered by the water company, the renewal of the franchise was rejected by the voters in 1906. In 1911, the City acquired the water system through condemnation proceedings at a cost of \$510,000. On June 1, 1911, the control of the Council Bluffs Water Works came under the Board of Water Works Trustees, which had been appointed by the Mayor. Their first task was to reconstruct or replace practically the entire system. The utility remains under the control of a five-member Board of Trustees, appointed by the Mayor on alternate terms of six years each. Many physical changes have occurred within the water system itself. The system in 1911 consisted of obtaining water from the Missouri River near North 37<sup>th</sup> Street, settling in large reservoirs, disinfecting, and pumping. Disinfection was begun in 1910 which eliminated illness and deaths from typhoid. In 1952, a conventional lime softening water treatment plant, known as the Narrows was constructed at North 25<sup>th</sup> Street. The Administration Building was relocated to North 25<sup>th</sup> Street in 1974. In the ensuing thirty years many other improvements have been made including the construction of the 2,000,000 gallon Valley View Reservoir, a Distribution/Meter Department Office and Warehouse Complex, a 1,500,000 gallon Clearwell, a modern Chlorine Handling Facility, 3 Elevated Storage Tanks, two Pump Stations and one storage reservoir. In 2010 Board began construction of a new groundwater source of supply and integrated membrane water treatment plant known as Council Point, on the south side of the City. This new source of supply began serving the City in 2013.

## ***GENERAL DESCRIPTION OF SYSTEM OPERATIONS***

The Narrows Water Purification Plant's main source of water is the Missouri River. Four low service pumps are located at the intake pump station. #1 pump is rated at 12.5 million gallons per day (MGD) and is a dual drive pump (electric or gas engine). #2 pump is rated at 5.5 MGD. #3 pump is a variable speed with a maximum capacity of 9.0 MGD. #4 pump is also variable speed with a maximum capacity of 12.5 MGD. Any single pump can be run from a standby generator if commercial power fails.

The secondary source of water is the Missouri River Alluvium. Two wells at a depth of 150 feet have a capacity of 4.5 MGD each.

Traveling screens at the Intake Pump Station remove large debris before it is pumped to twin preliminary settling basins where the sand and heavy silt settle out. Polyelectrolytes are added when necessary to enhance the settling process. Well water is blended with the cold river water in the winter to minimize icing problems within the basins. Water then flows by gravity through the remaining treatment steps.

There are two independent treatment trains at the purification plant. Typically, the plant operates in a split treatment mode where lime is added to approximately 70% of the water to elevate the pH sufficiently to precipitate magnesium and calcium ions. This softened water is blended with un-softened water as needed to adjust the pH and hardness of the water. Soda Ash and Ferric Sulfate are added as required to complete the coagulation and softening process. A series of mixers and flocculators ensure a complete chemical reaction prior to the clarification basins. Solids are recycled to the mixers as a catalyst for the chemical reactions.

Water then flows to 8 gravity multi-media filters. Each filter has a rated capacity of 3.0 MGD. The filters remove any remaining particles. The filters have a granular activated carbon cap that remove dissolved organic compounds and taste and odor causing compounds by adsorption.

Chlorine is added as a disinfectant before and after the filters. Fluoride is added as a prophylaxis. The water then flows through two 1.5 million gallon baffled clearwells to ensure inactivation of microorganisms. Ammonia is then added to convert the chlorine to chloramines to stabilize the chlorine residual and control disinfection by-products.

There are four high service pumps that deliver water to the City. Two of the pumps have a capacity of 10 MGD, one is 7.5 MGD and the smallest is 6 MGD. Pumps can be run in any combination to meet demand. Typical plant discharge pressure is 90 – 100 pounds per square inch. A 500 kW and 100 kW generators provide emergency back up power to the

plant in case of commercial power failure.

The Council Point Water Purification Plant's source of water is five wells in the Missouri River alluvium to a depth of 100 feet. The groundwater is pumped to the pretreatment building where it is first aerated to oxidize iron followed by chemical addition to oxidize manganese. Insoluble iron and manganese is removed by ultrafiltration. Dissolved minerals are removed by reverse osmosis. Chlorine is added as a disinfectant. Fluoride is added as a prophylaxis. Finished water is stored in a 3.0 million gallon clearwell. There are three high service pumps that deliver water to the City, each with variable frequency drives and capable of delivering 4.0 MGD. The plant is automated and controlled by the water plant operators from the Narrows Water Purification Plant.

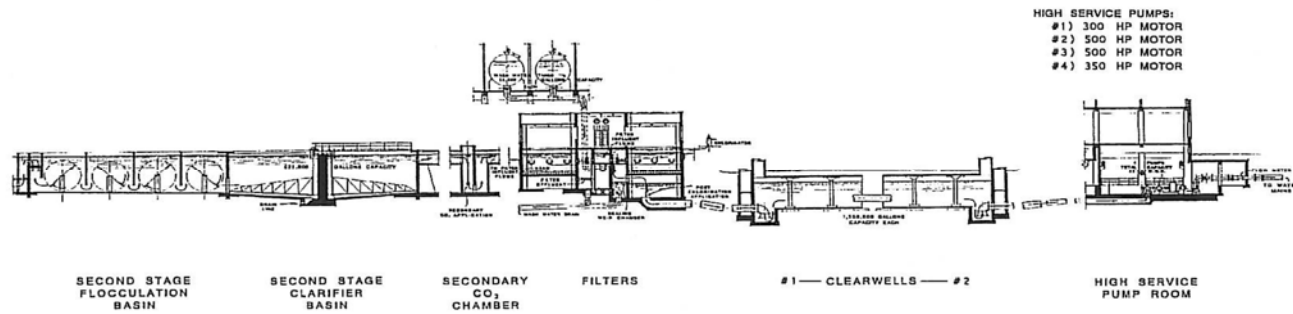
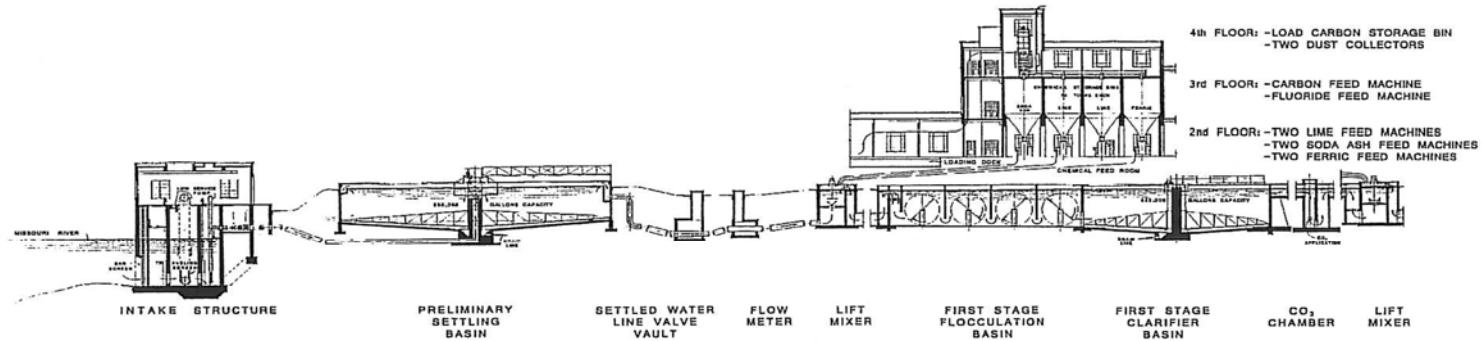
The distribution system has three pressure zones. The first zone is the flat (western and southern) sections of the city and is served by three 2 million gallon reservoirs and one 3-million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the city.

Four booster pump stations and 4 elevated storage tanks with a combined capacity of 1.2 million gallons serve the second pressure zone (bluffs). Lincoln Pump Station has three pumps rated at 600, 750 and 750 gallons per minute (GPM), one is dual drive (electric or gas). Lincoln Pump Station delivers water to the northern section of the City and pumps to a 500,000 gallon elevated tank at Buena Vista Circle and a 200,000 gallon elevated tank at Simms Avenue. Glen Pump Station has three pumps rated at 1500, 800 and 2500 GPM, the largest being a dual drive. This booster pump station delivers to the eastern section of the city and pumps to a 200,000 gallon elevated tank at Memorial Park and a 300,000 gallon tank on Greenview Drive. The Valley View Pump Station has two pumps rated at 750 GPM and 1500 GPM. A gas fired generator provides emergency backup power. This new pump station supports the rapidly growing eastern sections of the city. Oak Street Pump Station has three pumps rated at 400, 700 and 700 GPM, one is a dual drive. This pump station supports both the northern and eastern sections of the bluffs.

A third pressure zone of the distribution system serves the eastern portions of the system. The Airport/Bent Tree pump station has three variable speed pumps each with a maximum capacity of 600 gallons per minute and pump to a 400,000 gallon elevated tank on Highway 6. A gas fired generator provides emergency back up power.

A Supervisory Control and Data Acquisition System monitors all pump station and tank operations from the Water Treatment Plant located on North 25<sup>th</sup> Street.

# WATER TREATMENT PROCESS







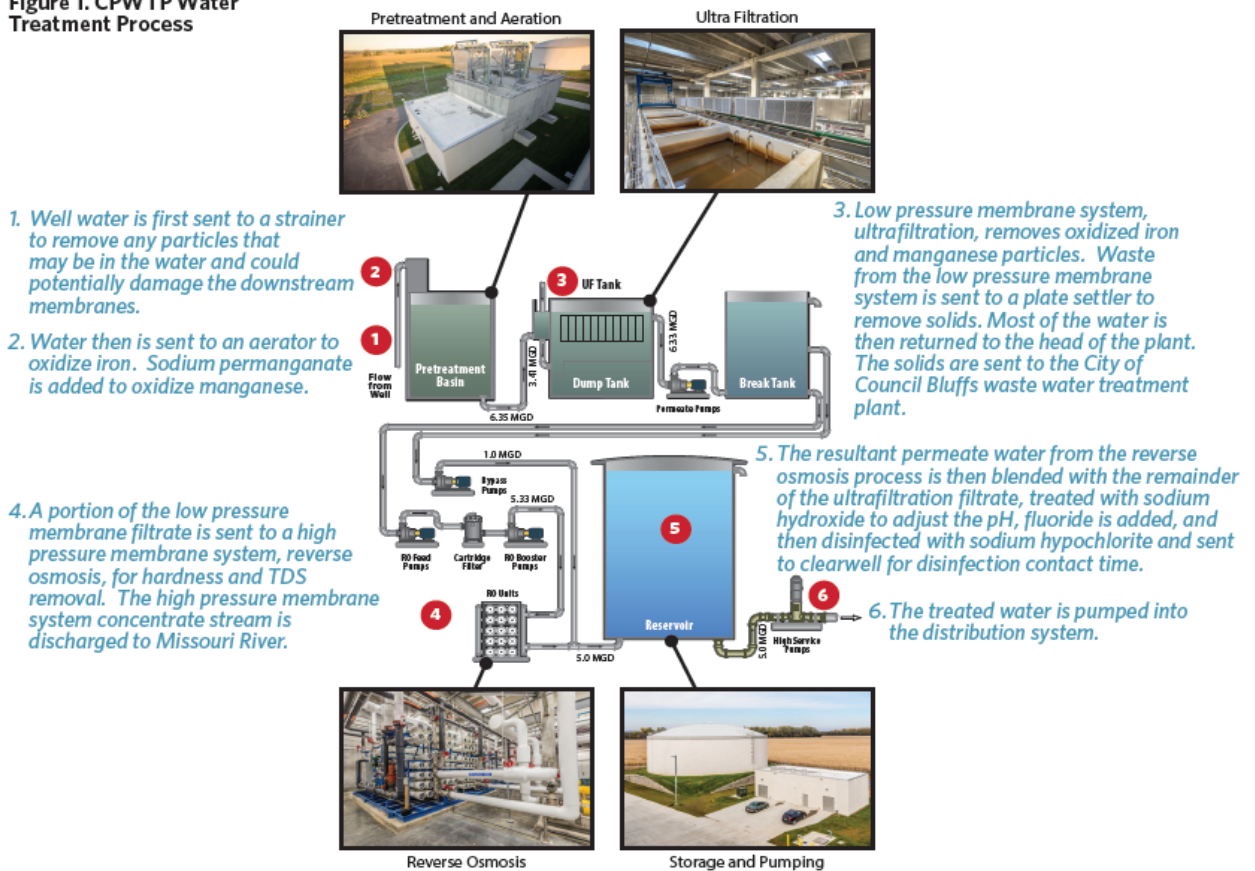
### Unique Application of Different Technology, Techniques, Materials or Equipment

The CPWTP uses a process which employs the use of semi-permeable membranes (low pressure followed by high pressure) to separate impurities from well water, as shown in Figure 1 below. **While membrane technology is not a new technology, the application of low pressure membranes followed by high pressure membranes is a unique application that is a model for other communities to follow.** This process has very limited application in the United States and is a unique combination of technology that will serve as a model for other Iowa communities.

The CPWTP includes a level of automation that allows remote operation of the facility. Every component of the facility from the raw water supply to the membrane processes and chemical systems is automated, allowing operation from the Narrows WTP through the CBWW SCADA system. The facility is also monitored from the Narrows WTP through CCTV. The processes in operation at the facility can be easily shutdown, started up, and varied, allowing a quick response to system needs. This automation has allowed CBWW to maintain efficient staffing of their treatment facilities, therefore reducing the costs to their customers.

Another unique application of technology is the **on-site chlorine generation**. Salt (very similar to table salt) is delivered to the site and stored as brine solution in large storage tanks. The brine solution is exposed to high level of electrical current in the generators to make a dilute concentration of liquid sodium hypochlorite. The concentration of the chemical is low and the amount generated can be limited to the amount consumed every day or two, so the quantities on site are smaller and the risks from gaseous or liquid chlorine to the employees and neighboring area are greatly reduced.

**Figure 1. CPWTP Water Treatment Process**



COUNCIL BLUFFS CITY WATER WORKS

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Council Bluffs City Water Works  
Council Bluffs, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Council Bluffs City Water Works' 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Council Bluffs City Water Works, as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 1 through 4), Schedule of the Utility's Proportionate Share of the Net Pension Liability (page 20) and the Schedule of the Utility's Contributions (pages 21 through 22) 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 Water Works' basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on page 25 and the Budgetary Comparison Schedule on page 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards on page 25 is the responsibility of management and was derived from and relates 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Budgetary Comparison Schedule on page 26 has 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 it.

### Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016 on our consideration of the Council Bluffs City Water Works internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council Bluffs City Water Works internal control over financial reporting and compliance.

*Hamilton Associates, P.C.*

Council Bluffs, Iowa  
April 13, 2016

**Council Bluffs Water Works  
Council Bluffs, Iowa**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Calendar Year Ending December 31, 2015**

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Council Bluffs Water Works provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the calendar year ending December 31, 2015. We encourage readers to consider this information in conjunction with our financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- ◆ The Water Works' operating revenues increased 3.6% or \$391,248 from calendar year 2014 to 2015.
- ◆ The Water Works' operating expenses increased by 4.5% or \$453,256, in calendar year 2014 to 2015.
- ◆ The Water Works' net position decreased 1.8% or \$764,037, from December 31, 2014 to December 31, 2015.

**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 Water Works financial activities.

Financial Statements consist of Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These provide information about the activities of the Council Bluffs Water Works as a whole and present an overall view of the Water Works finances.

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 net pension liability and IPERS contributions.

Other Information further explains and supports the financial statement with a comparison of the Water Works' budget for the year.

**Council Bluffs Water Works  
Council Bluffs, Iowa**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Calendar Year Ending December 31, 2015**

**FINANCIAL ANALYSIS**

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of the Water Works, as of the end of the calendar year. The purpose of this statement is to present a summary of the Water Works to the readers of the financial statements. The statements of net position include year-end information concerning current assets and liabilities, and net position (assets less liabilities). Readers of the financial statements are able to determine the Water Works financial position by analyzing the increases and decreases in fund equity. This statement is a good source for readers to determine how much the Water Works owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

The largest portion of the Water Works' net position 89.6% is the investment in capital assets (building and structures, furniture and fixtures, tools and equipment, distribution system, meters and automotive equipment), less the related debt. The restricted portion of the net position .1% includes resources that are subject to restrictions. The remaining net position 10.3% is the unrestricted position that can be used to meet the Water Works' obligations as they come due.

Statements of Net Position		
December 31, 2015 and 2014		
	<u>2015</u>	<u>2014</u>
Current assets	\$ 7,219,510	\$ 5,842,732
Restricted assets	983,806	1,263,474
Capital assets	<u>67,122,248</u>	<u>67,148,150</u>
Total assets	<u>\$ 75,325,564</u>	<u>\$ 74,254,356</u>
Deferred outflows of resources	<u>\$ 493,979</u>	<u>\$ -</u>
Current liabilities (payable from current assets)	\$ 2,640,845	\$ 2,357,134
Current liabilities (payable from restricted assets)	1,037,650	930,202
Revenue bonds payable	29,121,000	29,403,234
Other liabilities	<u>1,607,315</u>	<u>-</u>
Total liabilities	<u>\$ 34,406,810</u>	<u>\$ 32,690,570</u>
Deferred inflows of resources	<u>\$ 612,984</u>	<u>\$ -</u>
Net investment in capital assets	\$ 36,539,248	\$ 36,383,916
Restricted	57,972	479,008
Unrestricted	<u>4,202,529</u>	<u>4,700,862</u>
Total net position	<u>\$ 40,799,749</u>	<u>\$ 41,563,786</u>



**Council Bluffs Water Works  
Council Bluffs, Iowa**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Calendar Year Ending December 31, 2015

Statement of Revenues and Expenses

The Statement of Revenues and Expenses reflects a negative with a decrease in the net assets at the end of the calendar year.

In calendar year 2015, operating revenues increased by \$391,248 or 3.6%, due to the increase in water rates. The Board of Trustees approved a rate increase of 6% in 2015.

A summary of revenues and expense for the years ending December 31, 2015 and 2014 is presented below:

Statements of Revenues and Expenses		
December 31, 2015 and 2014		
<b>Operating revenues</b>		
Metered water sales	\$ 10,371,018	\$ 9,693,059
Rental	152,951	137,985
Other	625,016	926,693
Total operating revenues	\$ 11,148,985	\$ 10,757,737
<b>Operating expenses</b>		
Facilities and grounds	\$ 933,364	\$ 806,166
Inventory adjustment	(2,827)	(16,367)
Purification	1,625,717	1,776,220
Distribution and meter	1,316,201	1,273,775
Customer accounting	446,787	472,790
Administration and general	2,358,053	2,265,517
Pension and social security	289,183	398,490
Depreciation	3,547,511	3,084,142
Total operating expenses	\$ 10,513,989	\$ 10,060,733
<b>Nonoperating revenues (expenses)</b>		
Interest on investments	\$ 195,370	\$ 198,819
Interest expense	(1,032,345)	(1,075,069)
Loss on disposal of equipment	(42)	(105)
Nonoperating revenues, net	\$ (837,017)	\$ (876,355)
Change in net position	\$ (202,021)	\$ (179,351)
Total Net Position	40,799,749	41,563,786

**Council Bluffs Water Works  
Council Bluffs, Iowa**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Calendar Year Ending December 31, 2015**

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities include metered water sales, miscellaneous water sales, penalty charges, and service charges. Cash used from capital and related financing activities includes: principal payment of revenue bonds, interest paid on revenue bonds, interest paid on consumer deposits, additions to property, plant, and equipment, and contributions-in-aid of construction. Cash used by investing activities includes interest income.

**CAPITAL ASSETS**

At December 31, 2015 the Water Works had \$117,476,098 invested in capital assets, net of accumulated depreciation of \$50,353,850. Depreciation expense totaled \$3,547,511 for calendar year 2015. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

**LONG-TERM DEBT**

At December 31, 2015, the Water Works had \$30,583,000 debt outstanding. See Note 5 to the financial statements for more information.

**ECONOMIC FACTORS**

Council Bluffs Water Works continued to support development throughout the community to improve its financial position during the current calendar year.

Facilities and the distribution system operated by Water Works require constant maintenance and upkeep.

Chemical cost, electricity, maintenance of mains and services, and health insurance continue to put pressure on the Water Works resources.

Continued growth in the community requires the Water Works to invest in new infrastructures to meet the growing demands of the community.

Vulnerability and security improvement of our system will be an ongoing process.

**CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors and creditors with a general overview of the Water Works finances and operating activities. If you have any questions or require additional, information please contact the General Manager, 2000 North 25<sup>th</sup> Street, P O Box 309, Council Bluffs, Iowa 51502.

FINANCIAL STATEMENTS

**COUNCIL BLUFFS CITY WATER WORKS**

**STATEMENTS OF NET POSITION**

December 31, 2015 and 2014

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 4,693,311	\$ 3,284,582
Inventory	805,536	864,812
Receivables:		
Consumer accounts	1,215,489	1,062,313
Unbilled revenues	<u>377,288</u>	<u>385,220</u>
Total receivables	\$ 1,592,777	\$ 1,447,533
Prepaid insurance	83,057	100,069
Main extension escrow deposit	44,829	145,736
Restricted assets (Note 3)	<u>983,806</u>	<u>1,263,474</u>
Total current assets	\$ 8,203,316	\$ 7,106,206
PROPERTY, PLANT AND EQUIPMENT, NET (Note 4)	<u>67,122,248</u>	<u>67,148,150</u>
Total assets	<u>\$ 75,325,564</u>	<u>\$74,254,356</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows (Note 9)	<u>\$ 493,979</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES (payable from current assets):</b>		
Accounts payable	\$ 463,799	\$ 223,170
Accrued wages and payroll taxes	99,416	89,171
Accrued compensated absences	259,337	207,708
Accrued interest payable	80,016	85,505
Retainage payable	21,693	221,970
Due to City of Council Bluffs	254,584	168,610
Current portion of long term debt (Note 5)	<u>1,462,000</u>	<u>1,361,000</u>
Total current liabilities (payable from current assets)	<u>\$ 2,640,845</u>	<u>\$ 2,357,134</u>
<b>CURRENT LIABILITIES (payable from restricted assets):</b>		
Consumer deposits	\$ 736,800	\$ 707,700
Accrued interest on consumer deposits	233,863	222,459
Construction costs payable	<u>66,987</u>	<u>43</u>
Total current liabilities (payable from restricted assets)	<u>\$ 1,037,650</u>	<u>\$ 930,202</u>
LONG TERM DEBT (Note 5)	<u>\$ 29,121,000</u>	<u>\$29,403,234</u>
<b>OTHER LIABILITIES</b>		
Net pension liability (Note 9)	<u>\$ 1,607,315</u>	<u>\$ -</u>
Total liabilities	<u>\$ 34,406,810</u>	<u>\$32,690,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows (Note 9)	<u>\$ 612,984</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 36,539,248	\$36,383,916
Restricted	57,972	479,008
Unrestricted	<u>4,202,529</u>	<u>4,700,862</u>
Total net position	<u>\$ 40,799,749</u>	<u>\$41,563,786</u>

**See Notes to Financial Statements**

**COUNCIL BLUFFS CITY WATER WORKS**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Metered water sales	\$ 10,371,018	\$ 9,693,059
Rental	152,951	137,985
Other	<u>625,016</u>	<u>926,693</u>
Total operating revenues	<u>\$ 11,148,985</u>	<u>\$ 10,757,737</u>
<b>OPERATING EXPENSES</b>		
Facilities and grounds	\$ 933,364	\$ 806,166
Inventory adjustment	(2,827)	(16,367)
Purification	1,625,717	1,776,220
Distribution and meter	1,316,201	1,273,775
Customer accounting	446,787	472,790
Administration and general	2,358,053	2,265,517
Pension and social security	289,183	398,490
Depreciation	<u>3,547,511</u>	<u>3,084,142</u>
Total operating expenses	<u>\$ 10,513,989</u>	<u>\$ 10,060,733</u>
Operating income	<u>\$ 634,996</u>	<u>\$ 697,004</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	\$ 195,370	\$ 198,819
Interest expense	(1,032,345)	(1,075,069)
Loss on disposal of equipment	<u>(42)</u>	<u>(105)</u>
Nonoperating revenues, net	<u>\$ (837,017)</u>	<u>\$ (876,355)</u>
Change in net position	<u>\$ (202,021)</u>	<u>\$ (179,351)</u>
<b>NET POSITION - BEGINNING AS PREVIOUSLY STATED</b>	\$ 41,563,786	\$ 41,666,896
Adjustment due to IPERS net pension liability	<u>(1,828,283)</u>	<u>-</u>
<b>NET POSITION - BEGINNING AS RESTATED</b>	<u>\$ 39,735,503</u>	<u>\$ 41,666,896</u>
Contributions in aid of construction (Note 6)	<u>1,266,267</u>	<u>76,241</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 40,799,749</u>	<u>\$ 41,563,786</u>

See Notes to Financial Statements.

**See Notes to Financial Statements**

**COUNCIL BLUFFS CITY WATER WORKS**

**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 10,225,774	\$ 9,601,107
Cash received from other revenues	777,967	1,064,678
Cash paid to suppliers for goods and services	(3,631,858)	(4,195,844)
Cash paid to employees and on their behalf	(3,028,692)	(2,955,775)
(Payments) receipts for City sewer services net of collections	85,974	82,311
Net cash provided by operating activities:	<u>\$ 4,429,165</u>	<u>\$ 3,596,477</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payment of long term debt	\$ (1,391,234)	\$ (1,306,000)
Long term debt issued	1,210,000	1,049,493
Interest paid on long term debt	(999,963)	(1,042,816)
Interest paid on consumer deposits	(23,925)	(22,530)
Additions to property, plant, and equipment	(3,657,526)	(2,948,540)
Main extension escrow deposits	100,907	(197,930)
Contributions-in-aid of construction	1,266,267	76,241
Net cash provided by (used in) capital and related financing activities	<u>\$ (3,495,474)</u>	<u>\$ (4,392,082)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	195,370	198,819
Net cash provided by investing activities	<u>\$ 195,370</u>	<u>\$ 198,819</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ 1,129,061	\$ (596,786)
<b>CASH - BEGINNING OF YEAR</b>	4,548,056	5,144,842
<b>CASH - END OF YEAR</b>	<u>\$ 5,677,117</u>	<u>\$ 4,548,056</u>
<b>RECONCILIATION TO BALANCE SHEETS</b>		
Cash	\$ 4,693,311	\$ 3,284,582
Cash included in restricted assets	983,806	1,263,474
	<u>\$ 5,677,117</u>	<u>\$ 4,548,056</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 634,996	\$ 697,004
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,547,511	3,084,142
Changes in assets and liabilities:		
(Increase) Decrease in inventory	59,276	(26,029)
(Increase) Decrease in receivables	(145,244)	(91,952)
(Increase) Decrease in prepaid insurance	17,012	(10,091)
(Increase) Decrease in deferred outflows of resources	(139,327)	-
Increase (Decrease) in accounts payable	240,629	(221,139)
Increase (Decrease) in salaries payable	10,245	56,530
Increase (Decrease) in accrued compensated absences	51,629	(600)
Increase (Decrease) in Due to City of Council Bluffs	85,974	82,312
Increase (Decrease) in net pension liability	(575,620)	-
Increase (Decrease) in consumer deposits	29,100	26,300
Increase (Decrease) in deferred inflows of resources	612,984	-
Net cash provided by operating activities	<u>\$ 4,429,165</u>	<u>\$ 3,596,477</u>

**See Notes to Financial Statements**

# COUNCIL BLUFFS CITY WATER WORKS

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

### 1. Summary of Significant Accounting Policies

The Council Bluffs City Water Works ("Water Works") is a related organization to the City of Council Bluffs, Iowa ("City") and is not included in the City's financial statements. The Mayor, with City Council concurrence, appoints individuals to the Water Works' Board of Trustees. The Water Works' Board of Trustees maintains oversight responsibility and, therefore, is responsible for selection of management personnel and all financial matters. The authority to adopt the annual budget, to incur debt and to fix rates and charges is vested in the Board of Trustees. The Water Works is exempt from state and Federal income taxes. The Water Works' financial statements are prepared on the accrual basis.

#### Reporting Entity:

For financial reporting purposes, the Water Works has included all funds, organizations, agencies, boards, commissions and authorities. The Water Works has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Water Works are such that exclusion would cause the Water Works' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the Water Works to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Water Works. The Water Works has no component units which meet the Governmental Accounting Standards Board criteria.

#### Basis of Presentation:

The accounts of the Water Works are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Statement of Net Position presents the Water Works assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted* – Use of net position is externally imposed.

*Unrestricted* – The portion of net position that is not in restricted or net of investment in capital assets.

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

#### 1. Summary of Significant Accounting Policies - Continued

##### Measurement Focus and Basis of Accounting:

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Water Works distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water Works' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### Use of estimates:

In preparing the accompanying financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Water Works considers all highly liquid instruments with a maturity date of three months or less when purchased to be cash equivalents.

##### Consumer Accounts Receivable:

The consumer accounts receivable balance includes an assessment for sewer fees, which the Water Works bills on behalf of the City. A corresponding liability represents the amount of consumer accounts receivable that will be remitted to the City upon collection.

##### Revenues:

Metered water sales include amounts billed to customers on a monthly and bimonthly cycle basis and unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period.

##### Valuation of Inventories:

Inventories are valued at the lower of cost (average cost method) or market.

##### Contributions-in-Aid of Construction and Contributed Capital:

Contributions of cash by governments, customers or developers are maintained by the Water Works as restricted assets and restricted liabilities until expended. When expended the contributor's costs of construction are recorded as property, plant and equipment and contributed capital. Further, a contribution may be in the form of a completed project in which the contributor's costs of construction is recorded directly into the property, plant and equipment and contributed capital accounts. Depreciation expense recognized on these assets is charged to contributed capital.



## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

#### 1. Summary of Significant Accounting Policies - Continued

##### Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives.

Maintenance and repair of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

##### 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.

##### Accrued Compensated Absences:

Accrued compensated absences represent vacation time, which has been earned by employees in the current year to be used in subsequent years. Sick leave does not vest and, therefore, is not accrued.

##### Pensions:

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 (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. 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.

##### 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 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 represents the difference between projected and actual earnings on pension plan investments.

##### Subsequent Events:

Subsequent events have been evaluated through April 13, 2016, which is the date the financial statements were available to be issued.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2015 and 2014

2. Cash and Short-Term Investments

Listed below is a summary of the deposit and investment portfolios that comprise cash and investments on the December 31, 2015 balance sheet including restricted cash and cash equivalents and investments:

Deposits:

At December 31, 2015, deposits consisted of demand deposits and certificates of deposits and had the following balances:

Book Balance	\$ 5,675,317
Bank Balance	\$ 5,879,769

Of the total deposits, \$250,000 was covered by federal depository insurance and \$5,629,769 was covered by pledged securities that are being held in the pledging bank's trust department in the Board's name in the form of a joint safekeeping receipt.

3. Restricted Assets

Restricted assets represent money set aside for payment of bonds, proceeds from bond issues to be used for capital improvements, or contributions of cash by governments, customers, or developers for costs of construction. These contributions are reflected as restricted assets until expended. Details of the accounts comprising restricted assets as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Consumer deposit fund cash	\$ 983,806	\$ 945,505
Build America Bond loan funds	-	5,000
Main extension deposit	-	312,969
	<u>\$ 983,806</u>	<u>\$ 1,263,474</u>

**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2015 and 2014

**4. Property, Plant and Equipment**

Property, plant and equipment at December 31, 2015 and 2014 consisted of the following:

<u>Description</u>	<u>Useful Life in</u> <u>Years</u>	<u>2015</u>	<u>2014</u>
Land	-	\$ 3,500,307	\$ 2,208,406
Deposit on Land	-	-	578,663
Building and Structures	20 - 50	35,863,039	35,786,223
Water Distribution System	20 - 75	55,229,076	52,396,232
Meters	25 - 40	1,674,539	1,668,389
Tools and Equipment	3 - 20	18,344,244	18,079,700
Automobiles and Trucks	5	1,397,978	1,365,770
Office Equipment	15	104,985	104,985
Work in Progress	-	1,361,930	1,847,323
		<u>\$ 117,476,098</u>	<u>\$ 114,035,691</u>
Less Accumulated Depreciation		<u>(50,353,850)</u>	<u>(46,887,541)</u>
		<u><u>\$ 67,122,248</u></u>	<u><u>\$ 67,148,150</u></u>

As of December 31, 2014, construction of the new water treatment facility was completed and capitalized.

**5. Revenue Bonds**

In 2010, the Water Works executed the final \$25 million of its \$35.353 million Water Revenue Bonds for construction of a second water treatment facility. The Water Revenue Bonds bear interest at 3.00% due in 2040. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2013 the Water Works had drawn down the \$35,353,000.

In 2015, the Water Works issued Water Revenue Bonds in the amount of \$1,200,000 for the purchase of land adjacent to their treatment plant to protect existing wells from potential contamination by farming practices and industries wanting to locate on adjacent property. The bonds are non-interest bearing, and are due in 2034. The Iowa Finance Authority charges an annual service fee of 0.25%.

All of the bonds require that the Water Works produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bond falling due in the same year. The Water Works was in compliance with this requirement for the years ended December 31, 2015 and 2014

**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2015 and 2014

**5. Revenue Bonds - Continued**

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2015 are as follows:

Years ended December 31,	Principal	Interest	Total Requirements
2016	\$ 1,462,000	\$ 865,920	\$ 2,327,920
2017	1,506,000	823,290	2,329,290
2018	1,552,000	779,340	2,331,340
2019	1,600,000	737,880	2,337,880
2020	1,649,000	687,750	2,336,750
2021-2025	9,035,000	2,787,420	11,822,420
2026-2030	10,264,000	1,377,960	11,641,960
2031-2035	2,597,000	271,500	2,868,500
2036-2039	918,000	72,990	990,990
	<u>\$ 30,583,000</u>	<u>\$ 8,404,050</u>	<u>\$ 38,987,050</u>

**6. Contributions-in-Aid of Construction and Contributed Capital**

The following is a schedule of contributions of cash by governments and customers or developers:

	Other Governments	Customers and Developers	Total
Balances at January 1, 2014	\$ 1,099,719	\$ 5,521,739	\$ 6,621,458
Contributions-in-aid of construction	-	76,241	76,241
Transfers – Depreciation of contributed property, plant and equipment	<u>(136,008)</u>	<u>(612,106)</u>	<u>(748,114)</u>
Balances at December 31, 2014	\$ 963,711	\$ 4,985,874	\$ 5,949,585
Contributions-in-aid of construction	158,250	1,108,017	1,266,267
Transfers – Depreciation of contributed property, plant and equipment	<u>(136,417)</u>	<u>(639,048)</u>	<u>(775,465)</u>
Balances at December 31, 2015	<u>\$ 985,544</u>	<u>\$ 5,454,843</u>	<u>\$ 6,440,387</u>

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

#### 7. Contingencies

The Iowa Department of Natural Resources issued a NPDES Permit. The Water Works appealed the terms thereunder to an Administrative Law Judge with the Iowa Department of Inspections and Appeals. The matter involves suspended solids discharge to the Missouri River and, thus, monetary loss was not an issue. The Order dismissing this matter was filed on January 21, 2016.

#### 8. Risk Management

The Water Works 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. The Water Works carries commercial insurance for all risks of loss, including errors and omissions, destruction of assets and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Water Works participates in a partially self-funding benefit plan for its employees' health insurance. The plan is administered by a third-party, which estimates The Water Works maximum annual exposure to be \$348,600. The Water Works contributes funds monthly to a separate bank account to supplement the employee's deductible. The balance in this account as of December 31, 2015 and 2014 was \$33,611 and \$33,474, respectively.

#### 9. Pension Plan

##### Plan Description:

IPERS membership is mandatory for employees of the Water Works, except for those covered by another retirement system. Employees of the Water Works 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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.)

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

#### 9. Pension Plan – Continued

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 calendar year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Water Works contributed 8.93 percent for a total rate of 14.88 percent.

The Water Works' total contributions to IPERS for the year ended December 31, 2015 were \$234,669.

**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2015 and 2014

**9. Pension Plan – Continued**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2015, the Water Works reported a liability of \$1,607,315 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 Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Water Works' collective proportion was .0405283 percent which was an increase of .0025092 percent from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Water Works recognized pension expense of \$133,567. At December 31, 2015, the Water Works 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	\$ 17,468	\$ -
Changes of assumptions	70,934	-
Net difference between projected and actual earnings on pension plan investments	-	612,984
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	53,079	-
Water Works' contributions subsequent to the measurement date	352,498	-
	<u>\$ 493,979</u>	<u>\$ 612,984</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2015 and 2014

9. Pension Plan – Continued

\$236,709 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. The remaining amount of contributions subsequent to the measurement date of \$119,045 will be recognized as a reduction of the net pension liability in the year-ended December 31, 2017. 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 December 31,
2016	\$ (120,190)
2017	(120,190)
2018	(120,190)
2019	(120,190)
2020	9,257
Total	<u>\$ (471,503)</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.



**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2015 and 2014

**9. Pension Plan – Continued**

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	100%	

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 Water Works 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 Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Works' 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%)
Water Works' proportionate share of the net pension liability	\$ 3,036,976	\$ 1,607,315	\$ 400,532

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

#### 9. Pension Plan – Continued

##### 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](http://www.ipers.org).

##### Payables to the Pension Plan:

At December 31, 2015, the Water Works reported payables to the defined benefit pension plan of \$8,258 for legally required employer contributions and \$5,512 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### 10. 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 calendar 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:

Net position at December 31, 2014, as previously reported	\$ 41,563,786
Net pension liability at December 31, 2014	(2,182,935)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>354,652</u>
Net position January 1, 2015 as restated	<u><u>39,735,503</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF THE WATER WORKS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employee's Retirement System

Last Year\*, ended June 30

	<u>2015</u>
Water Works' proportion of the net pension liability (asset)	0.0405283%
Water Works' proportionate share of the net pension liability	1,607,315
Water Works' covered-employee payroll	2,595,093
Water Works' proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.94%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each 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 Water Works will present information for those years for which information is available.

**COUNCIL BLUFFS CITY WATER WORKS**

**SCHEDULE OF WATER WORKS' CONTRIBUTIONS**

Iowa Public Employee's Retirement System  
Last Ten Calendar Years, ending December 31  
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 235	\$ 234	\$ 228	\$ 204
Contributions in relation to the statutorily required contribution	<u>(235)</u>	<u>(234)</u>	<u>(228)</u>	<u>(204)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,628	\$ 2,620	\$ 2,594	\$ 2,434
Contributions as a percentage of covered-employee payroll	8.94%	8.93%	8.79%	8.38%

**See accompanying independent auditor's report**

**COUNCIL BLUFFS CITY WATER WORKS**

**SCHEDULE OF WATER WORKS' CONTRIBUTIONS**

Iowa Public Employee's Retirement System  
Last Ten Calendar Years, ending December 31  
(In Thousands)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 181	\$ 155	\$ 146	\$ 142	\$ 128	\$ 113
<u>(181)</u>	<u>(155)</u>	<u>(146)</u>	<u>(142)</u>	<u>(128)</u>	<u>(113)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,409	\$ 2,264	\$ 2,246	\$ 2,288	\$ 2,164	\$ 1,956
7.51%	6.85%	6.50%	6.21%	5.91%	5.78%

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended December 31, 2015

#### 1. 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.

#### 2. 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 receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended December 31, 2015

#### 2. Changes of assumptions – Continued

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.

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.



SUPPLEMENTARY INFORMATION

**COUNCIL BLUFFS CITY WATER WORKS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended December 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Indirect			
Pass-Through Iowa Finance Authority			
Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-78-14-DWSRF-009	\$ 1,200,000
			<u>\$ 1,200,000</u>

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Council Bluffs City Water Works under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Council Bluffs City Water Works, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Example Entity.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

OTHER INFORMATION

**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN BALANCES – BUDGET AND ACTUAL**  
Year ended December 31, 2015

	2015 Actual	2015 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 10,371,018	\$ 10,348,000	\$ 23,018
Rental	152,951	140,000	12,951
Other	625,016	555,400	69,616
Total operating revenues	<u>\$ 11,148,985</u>	<u>\$ 11,043,400</u>	<u>\$ 105,585</u>
Operating expenses:			
Facilities and grounds	\$ 933,364	\$ 926,000	\$ (7,364)
Inventory adjustment	(2,827)	5,000	7,827
Purification	1,625,717	1,900,500	274,783
Distribution and meter	1,316,201	1,408,500	92,299
Customer accounting	446,787	419,000	(27,787)
Administration and general	2,358,053	2,443,200	85,147
Pension and social security	289,183	450,000	160,817
Total operating expenses	<u>\$ 6,966,478</u>	<u>\$ 7,552,200</u>	<u>\$ 585,722</u>
Operating income	<u>\$ 4,182,507</u>	<u>\$ 3,491,200</u>	<u>\$ 691,307</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 195,370	\$ 194,000	\$ 1,370
Interest expense	(1,032,345)	(1,058,320)	25,975
Loss on disposal of equipment	(42)	(5,000)	4,958
Nonoperating revenues, net	<u>\$ (837,017)</u>	<u>\$ (869,320)</u>	<u>\$ 32,303</u>
Surplus (Deficit) from Operations	\$ 3,345,490	\$ 2,621,880	\$ 723,610
Debt Service	(1,391,234)	(1,405,800)	14,566
Capital Outlay	(3,657,526)	(3,266,000)	(391,526)
Bond Proceeds	1,210,000	1,156,000	54,000
Surplus (Deficit)	<u>\$ (493,270)</u>	<u>\$ (893,920)</u>	<u>\$ 400,650</u>
Reconciliation to statement of revenues and expenses:			
Budget Basis Deficit	\$ (493,270)		
Debt Service	1,391,234		
Capital Outlay	3,657,526		
Bond Proceeds	(1,210,000)		
Depreciation and Amortization	(3,547,511)		
Excess of revenues over expenses	<u>\$ (202,021)</u>		

**COUNCIL BLUFFS CITY WATER WORKS**

**NOTES TO BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN BALANCES – BUDGET AND ACTUAL**

Year ended December 31, 2015

**1. Budgetary reporting**

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget following required public notice and hearing. The budget is adopted on a budget basis which consists of accrual basis revenues and expenditures plus cash outlay for debt service and capital improvements and cash receipts of bond proceeds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. In 2015, there were no budget amendments and disbursements did not exceed the amount budgeted.

**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"**

The Board of Trustees  
Council Bluffs City Water Works  
Council Bluffs, Iowa

We have audited the financial statements of the Council Bluffs City Water Works as of and for the year ended December 31, 2015, and have issued our report thereon dated April 13, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Council Bluffs City Water Works is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council Bluffs City Water Works' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council Bluffs City Water Works' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council Bluffs City Water Works' internal control over financial reporting.

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

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

Compliance and Other Matters

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

### **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 result of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hamilton Associates, P.C.*

Council Bluffs, Iowa  
April 13, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

The Board of Trustees  
Council Bluffs City Water Works  
Council Bluffs, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Council Bluffs City Water Works' (Water Works) compliance with the types of compliance requirements<sup>2</sup> described in the *OMB Compliance Supplement* that could have a direct and material effect<sup>3</sup> on each of Water Works' major federal programs for the year ended December 31, 2015. Council Bluffs City Water Works' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.<sup>4</sup>

**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 compliance for each of Council Bluffs City Water Works' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Water Works' 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 Council Bluffs City Water Works' compliance.

**Opinion on Each Major Federal Program**

In our opinion, Council Bluffs City Water Works complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.



## Report on Internal Control Over Compliance

Management of Council Bluffs City Water Works is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Water Works' 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 the Uniform Guidance, 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 Water Works' internal control over compliance.

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

*Hamilton Associates, P.C.*

Council Bluffs, Iowa  
April 13, 2016

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

I. Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified:	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 1,200,000

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	No
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II. Financial Statement Findings

None reported

III. Financial Statement Findings

None reported

## COUNCIL BLUFFS CITY WATER WORKS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

#### IV. Other Findings Related to Statutory Reporting

- I-A-13 Certified Budget – We compared the Water Works disbursements for the twelve months ended December 31, 2015 with the published budget and found that disbursements did not exceed the amounts budgeted.
- I-B-13 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney general's opinion dated April 25, 1979 were noted.
- I-C-13 Travel Expense – No expenditures of funds for travel expenses of spouses of Water Works' officials or employees were noted.
- I-D-13 Business Transactions – During the course of our audit of Water Works as of December 31, 2015, we looked at many records substantiating disbursements. We noted no business transactions between the Water Works and Water Works' officials or employees.
- I-E-13 Bond Coverage – We reviewed the statutory provisions for surety bond coverage of Water Works' officials and employees. The City has an ordinance allowing the City to set bonding requirements for the Water Works. Resolution 83-475 sets the amount of surety bond coverage for board members at \$500 annually. Water Works maintains public officials' liability insurance, which sufficiently meets bond coverage requirements.
- I-F-13 Board Minutes – We noted no transactions that we believe should have been approved in the Board minutes but were not.
- I-G-13 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.
- I-H-13 Revenue Notes – No instances of non-compliance with the revenue bond and note requirements were noted.