

2008



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.

CHAIRMAN'S REPORT

Development of the new South Water Supply Project continued to be the primary focus of the Board of Trustees in 2008. Several major project milestones set in motion the next phases of the project. Over 100 acres of land were acquired for the well field and new water purification plant on the south side of the City near Gifford Road. This location was selected following a thorough evaluation conducted by the Engineering Consulting Firm of HDR, Inc. of groundwater availability, land availability and proximity to large volume water customers. The Board awarded contracts to Cahoy Pumps for the development of five (5) production wells and GE for the membrane treatment equipment for the new water plant that will produce and process a firm five (5) million gallons per day of high quality drinking water.

In order to fund the initial phases of the new south water supply the Board issued \$10,353,000 in water revenue bonds in 2008, through the State Revolving Loan Funds (SRF) jointly administered by the Iowa Finance Authority and Iowa Department of Natural Resources. These funds will finance the land acquisition, production wells, well field and membrane plant equipment.

The Engineering Consulting Firm of Burns & McDonnell completed a Cost of Service and Rate Study. The result was a recommendation to increase rates over a four year period. The new rate structure adopted by the Board was based on the fair allocation of service provided to the various customer classifications and designed to provide sufficient funds for operations, maintenance and capital improvements.

Water supply is essential to public health and the long term economic development of our community. Developing this new source of water supply and treatment plant will secure the water supply needs of our community well into the future. As Chairperson, I am proud of our past achievements and look forward to celebrating the future as we fulfill our obligations to provide our customers a safe and reliable supply of drinking water.

Please read the following report that details the accomplishments of the dedicated employees of the Council Bluffs Water Work.

Mark A. Genereux
Chairman

Trustees:
Carl L. Heinrich
Glen M. Mitchell
Martin L. Brooks
Maureen R. Kruse

**2008
RATE SCHEDULE**

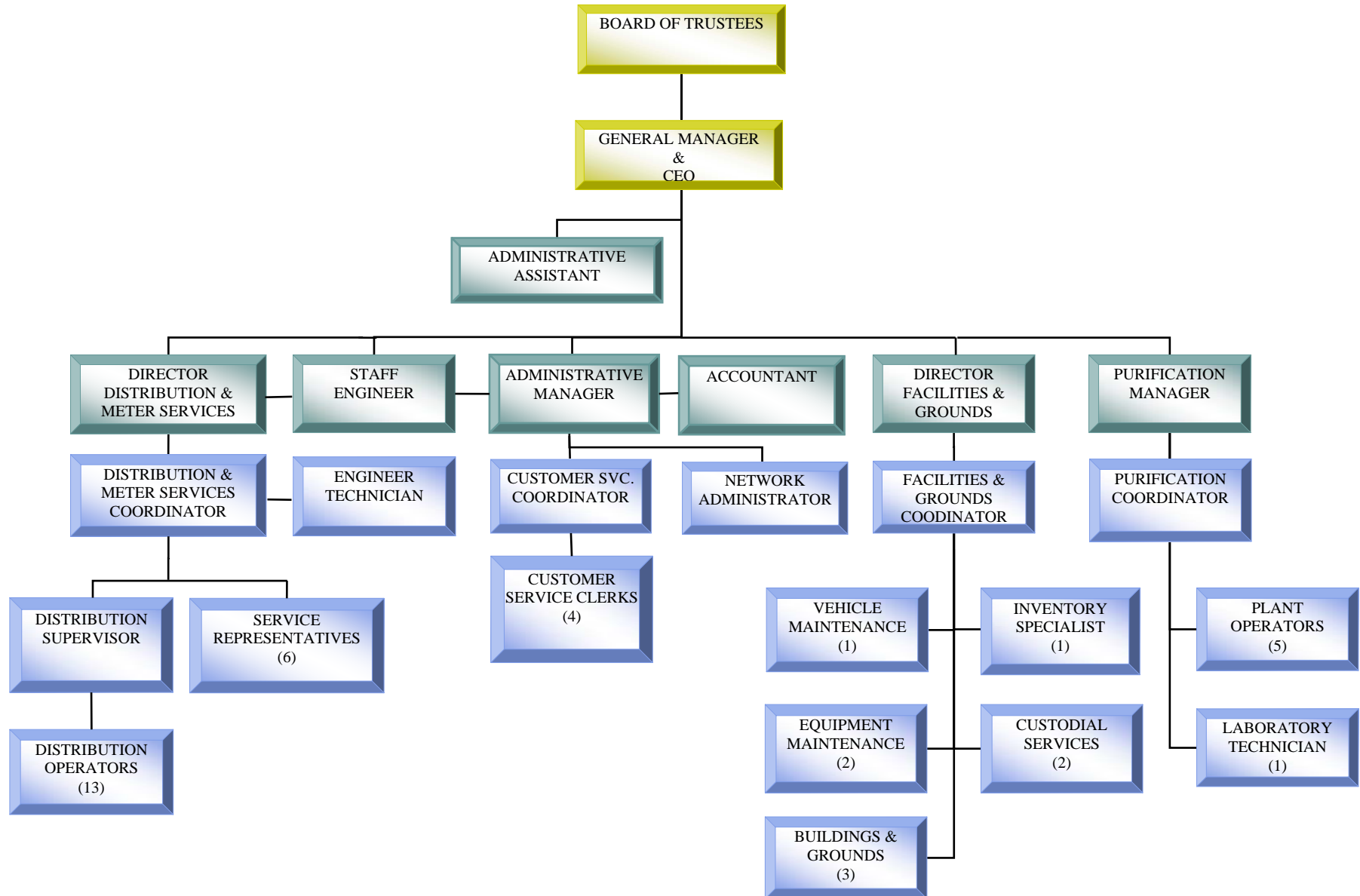
Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 1,500 Cubic Feet	\$2.18	\$3.27
Next 28,500 Cubic Feet	\$1.58	\$2.37
Next 970,000 Cubic Feet	\$0.94	\$1.41
Next 1,000,000 Cubic Feet	\$0.88	\$1.32
Over 2,000,000 Cubic Feet	\$0.50	\$0.75

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 3,000 Cubic Feet	\$2.18	\$3.27
Next 57,000 Cubic Feet	\$1.58	\$2.37
Next 1,940,000 Cubic Feet	\$0.94	\$1.41
Next 2,000,000 Cubic Feet	\$0.88	\$1.32
Over 4,000,000 Cubic Feet	\$0.50	\$0.75

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

Chairman	Mark A. Genereux	term expires June 30, 2011
Trustee	Carl L. Heinrich	term expires June 30, 2009
Trustee	Glen M. Mitchell	term expires June 30, 2012
Trustee	Martin L. Brooks	term expires June 30, 2113
Trustee	Maureen R. Kruse	term expires June 30, 2010

STAFF

General Manager:	Douglas P. Drummey	Iowa Grade IV Operator
Administrative Assistant:	Celestine Powell	

PURIFICATION DEPARTMENT

Purification Manager:	John E. Elliott	Iowa Grade IV Operator
Coordinator:	John M. Meads	Iowa Grade IV Operator
Personnel:	Carolyn L. Hussein	Iowa Grade IV Operator
	Gregory G. Reese	Iowa Grade III Operator
	Dennis D. Boruff	Iowa Grade III Operator
	Rodney A. Scott	Iowa Grade III Operator
	Timothy C. Parker	Iowa Grade II Operator
	Benjamin E. Brandes	Iowa Grade II Operator

DISTRIBUTION & METER SERVICES DEPARTMENT

Director:	William E. Wiggins Jr.	Iowa Grade IV Operator
Coordinator:	David J. Fullenkamp	Iowa Grade II Operator
Personnel:	David A. McLean	
	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	
	Dan L. Riesland	
	Chad M. Springer	
Supervisor:	Douglas P. Adkins	Iowa Grade II Operator
Engineering Technician	Karen R. Perdue	
Personnel:	Matthew L. Farrell	Iowa Grade II Operator
	John D. Penney	Iowa Grade II Operator
	Steve W. Thurman	Iowa Grade II Operator
	Sammy J. Hughes	Iowa Grade I Operator
	Dustin L. Christensen	Iowa Grade I Operator
	Jeffrey A. Schuster	Iowa Grade I Operator
	Joshua W. Ryan	Iowa Grade I Operator
	Joseph S. Rhoades	Iowa Grade I Operator
	Brian E. Andersen	
	Edwin C. Kuhl	
	Clifford M. Anderson	

FACILITIES & GROUNDS DEPARTMENT

Director: Ronnie G. Kopaska

Coordinator: Kenneth W. Boardman

Personnel: Jeremy W. Redmond ASC Certified Mechanic
Billy J. Gearhart
Mark P. Applegate Wayne A. Stahlnecker
James L. Smith Jr. Shane E. Ruckman
Joseph A. Masker Jason R. Jones
Norman H. Sales Jr. Frank Bousha Jr.

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

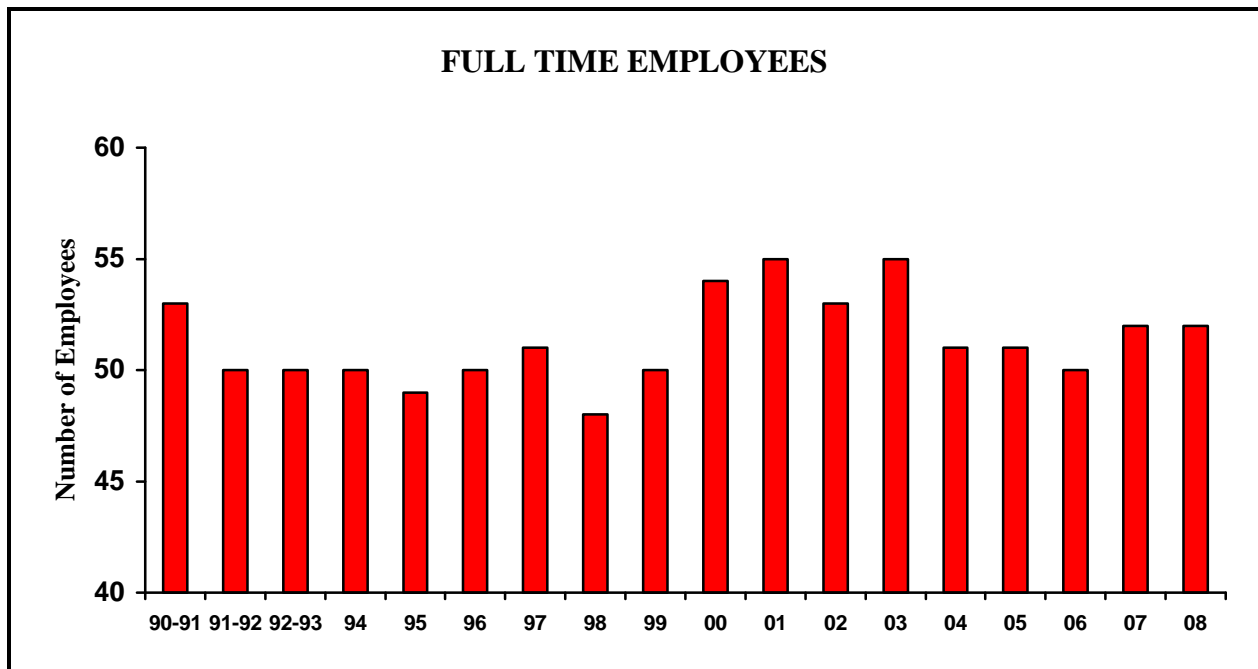
Administrative Manager: Karen A. Wisniski

Systems Administrator: Bruce M. Riegel

Coordinator: Joseph E. Lenihan

Staff Engineer: Rex J. Anthony Grade IV Operator

Personnel: Travis P. Anderson
Lisa A. Lang
Rose Ann Wolfe
Kristin N. Nelson
Loni N. Neve



HIGHLIGHTS AND STATISTICS

PURIFICATION DEPARTMENT

In 2008 we pumped 3,785,876,000 gallons of water. That is nearly two hundred million gallons less than the previous year, due primarily to the wet summer. Our average daily flow was 10,344,000 gallons with a maximum of 16,220,000 gallons on August 20, 2008.

The normal mountain snow pack is providing the Missouri River water users some hope of recovery from the drought. The mountain snow pack is near normal but snow pack on the plains is below normal. 2008 was the first year since 1999 that runoff was above normal. However, the 6 main reservoirs are below normal level after years of drought.

In March we started sampling for Stage 2 Disinfections-By-Products. We sampled at sixteen sites around the city as required by the Iowa Department of Natural Resources. From the results of Stage 1 and Stage 2 Disinfection-By-Products, we are required to select 8 sites using guidelines established by the Environmental Protection Agency. The 8 selected sites will be used for sampling when the Stage 2 rule goes into effect in 2012.

Our finished water continues to be in compliance with all water quality standards established by the Iowa Department of Natural Resources and the Environmental Protection Agency.

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

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
Lime	3,329.8	\$336,660.94
Ferric Sulfate	197.5	78,984.20
Soda Ash	225	57,251.23
Liquid Chlorine	104	63,010.23
Sodium Hexametaphosphate	4.5	6,570.30
Sodium Silicofluoride	15.9	14,310.00
Polymer	19.8	19,404.00
Potassium Permanganate	2.5	10,675.00
Powder Activated Carbon	10.5	13,860.00
Anhydrous Ammonia	10.1	14,544.00
Total Water Treatment Chemical Cost		\$615,269.70

DISTRIBUTION & METER SERVICES DEPARTMENT

The Distribution Department's main replacement efforts this year continued to support of city street and sewer replacement projects. Several mains were also added in new developments. Department personnel repaired approximately 2,522 square yards of PCC paving, with an additional 71.3 square yards of paving done by a contractor. 714.55 square yards of asphalt overlay was installed by agreement with the Public Works Department.

This year the department:

- Made 182 small taps
- Checked 14 service leaks
- Turned on/off 141 services
- Repaired 60 service lines and 239 curb boxes
- Replaced 25 services from the main to stop box
- 1 service was connected to new mains by Water Works personnel
- 38 services were connected by contractors
- Killed 27 services at the main and 24 at the curb stop
- Answered 5,837 requests for service line or main location.
- Turned 2,204 large valves, rebuilt 15, repaired 10, replaced 12 and installed 1 new valve
- Repaired 27 main leaks
- Repaired 184 valve boxes
- Made 19 large taps (4 inches and above)
- Moved 1 water main
- Killed 1 water mains
- Removed 12 fire hydrants from service which were obsolete, damaged or for main replacement
- 33 Hydrants were replaced by Water Works personnel
- Hydrants painted and domes color coded by an outside contractor 187
- Hydrants checked for leak survey 3,390
- Hydrant flow tested 101
- Checked 3,527 hydrants
- Repaired 629 hydrants
- Relocated 5 hydrants
- Installed 17 hydrants for new mains
- Flushed 965 hydrants
- Checked 495 fire hydrants for ice and thawed 66

Observed installation of 4,707 feet of new mains installed by contractors.

Mains installed by size were:

2	feet of 6-inch main
2,312	feet of 8-inch main
841	feet of 10-inch main
441	feet of 12-inch main
1,074	feet of 16-inch main
36	feet of 24-inch main

FACILITIES & GROUNDS DEPARTMENT

The Facilities and Grounds Department is responsible for the maintenance of all facilities, equipment and grounds including the Narrows Purification Plant, Administration Building, 5 Booster Pump Stations, 4 Ground Storage Reservoirs, 5 Elevated Storage Tanks all spread over more than 100 acres throughout the City, and future South Water Treatment Plant and Well Field. This will increase total acres to about 200 that the Facilities and Grounds Department will be responsible for maintaining.

Department personnel oversee the daily operation of the Storeroom and Warehouse. Responsibilities include material purchasing, storage and distribution for all departments.

The automotive fleet was maintained daily for the respective departments. The fleet is comprised of over forty (40) vehicles, such as: dump trucks, boom trucks, pick-ups, front end loaders/backhoes, portable air compressors, welders, and trailers.

The following pump and motor rebuild projects were completed: #1 Bent Tree Booster Pump, #3 High Service Pump, and #3 Mt Lincoln Booster Pump. Each respective pump was disassembled and re-conditioned. Motors were pulled for cleaning and inspection.

The Greenview Tank interior surface area was painted. The tank was drained, sandblasted and painted with an epoxy paint. Maintaining the protective paint system will prevent damage to the structural integrity of the tank.

Department personnel upgraded and retrofitted twelve (12) obsolete filter valve actuators. The new style Auma actuators provide much better control of all filter valve operation. Finished water filter valve operation is a critical part of our water treatment process.

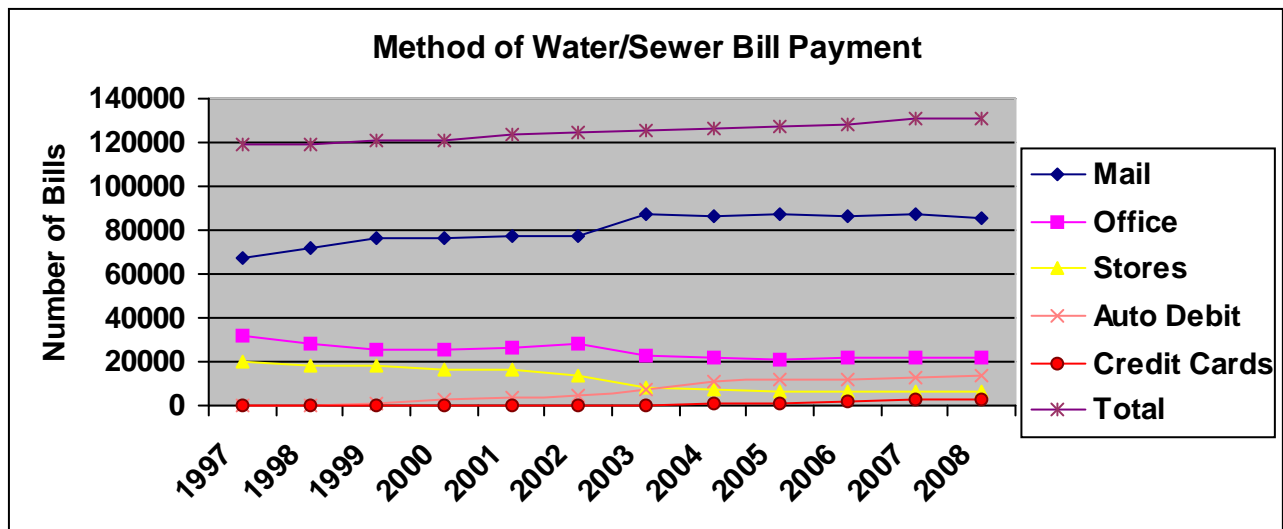
Department personnel and Industrial Electric Motors performed an infrared inspection on operating electrical equipment at the Narrows Treatment Plant and all outlying Booster Pumping Stations with the Indigo TVS 620 Infrared Camera to identify any potential problems. This is part of the Department's Preventative and Predictive Maintenance Program.

The Facilities and Grounds Department recognizes the importance of preventive and predictive maintenance and is proud of our tradition of quality maintenance at the Council Bluffs Water Works.

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

The Customer Service and Meter Services Department took 134,326 meter readings, mailed 126,252 bills, and sent 31,044 reminders and 17,664 shut-off notices to customers. There were 13,576 automatic bank payments. There were 2,499 credit card payments. 16,462 shut-off notices were paid before the shut-off date or credit arrangements made with the Credit Manager. 3,045 were paid on the day of shut-off and 1,202 services were discontinued for non-payment. 18 services were discontinued for returned checks. 3,772 service contracts were processed to transfer, reinstate or add new customers to the system. We gained 573 new customers. 17,192 meter service orders were written for final readings, high bills, dead meters, or to install new meters and 1,987 meters were installed or replaced.

In January 2008, the Council Bluffs Water Works started using its new upgraded information system for Accounting, Payroll and Maintenance programs. The Water Works partnered with Cogsdale Corporation since early 2007 to upgrade the information systems. During 2008 we have worked on conversion, testing and training on the Customer Service Module to be released in early 2009. The information system will provide features and functionality to allow the Council Bluffs Water Works to be more efficient and effective in providing both the highest quality customer service and water utility services. The customer base will benefit through new service offerings and the Council Bluffs Water Works is benefiting through efficiency, flexibility and control.



GENERAL INFORMATION

The Council Bluffs Water Works has 21,108 active service accounts: 19,402 residential; 1,706 are commercial or industrial.

Last year, totaled production was 3,785,876,000 gallons.

Residential customers consumed 1,153,134,000 gallons in 2008. The average residential customer used 59,434 gallons at cost of \$183.40 per year or \$15.28 per month.

Our top ten customers consumed 1,074,798,956 gallons, 28.4% of total production.

SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA

606 outside-City customers paid \$452,180.21 for 177,164,548 gallons of water.

The City of Crescent paid \$39,566.50 for 21,187,500 gallons of water.

Regional Water paid \$91,167.72 for 46,444,816 gallons of water.

In total, outside City customers paid \$582,914.43 for 244,740,364 gallons of water. This represents 8.3% of metered water sales and 6.5% of total water production.

SERVICES PROVIDED TO THE CITY OF COUNCIL BLUFFS, IOWA

The Council Bluffs Water Works provided 33,038,412 gallons of water to the City free of charge, having a value of \$69,595.77. Also, on the behalf of the City, the Council Bluffs Water Works collected \$5,094,333.52 in sewer use fees.

TOP TEN CUSTOMERS

<u>2008 Rank</u>		<u>2007 Rank</u>
1.	Con Agra Frozen Foods	1
2.	MidAmerican Energy Co.	3
3.	Griffin Pipe Products	2
4.	Bunge Corporation	4
5.	Tyson Foods	5
6.	Plumrose USA, Inc.	6
7.	Harrahs Council Bluffs Casino	9
8.	Regional Water	7
9.	Ameristar Casino	8
10.	Horseshoe Casino	Unranked

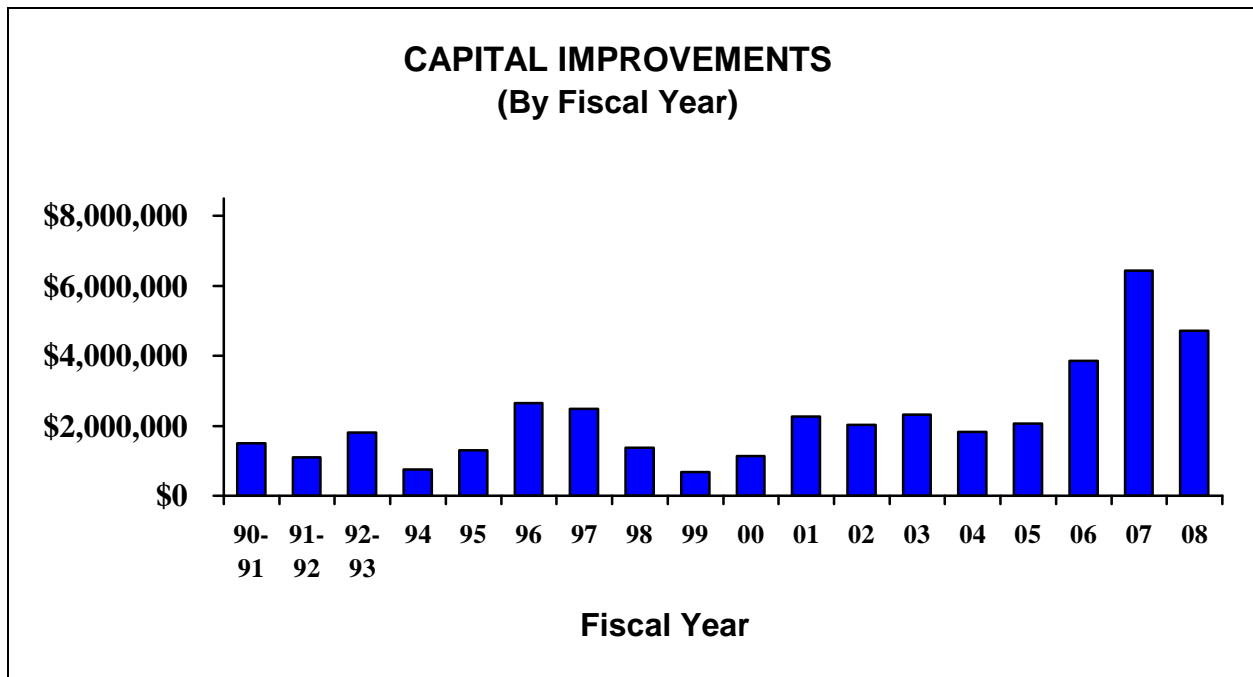
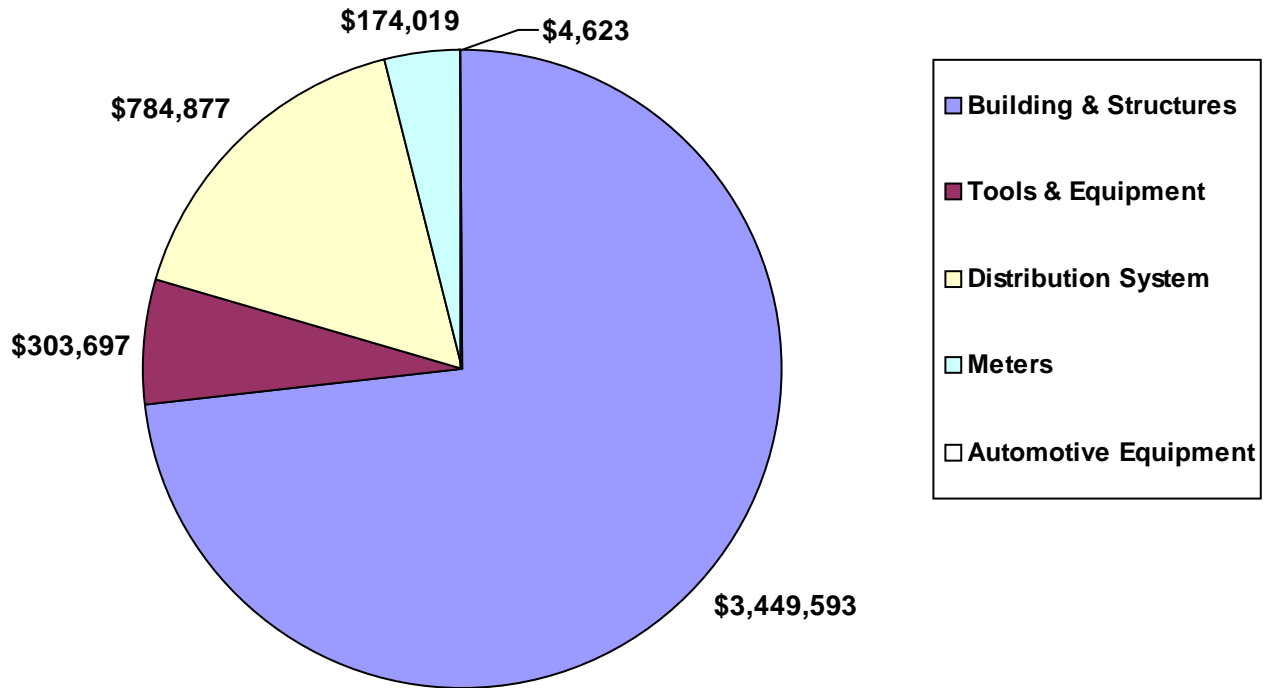
The Council Bluffs Water Works has 294 miles of water mains consisting of:

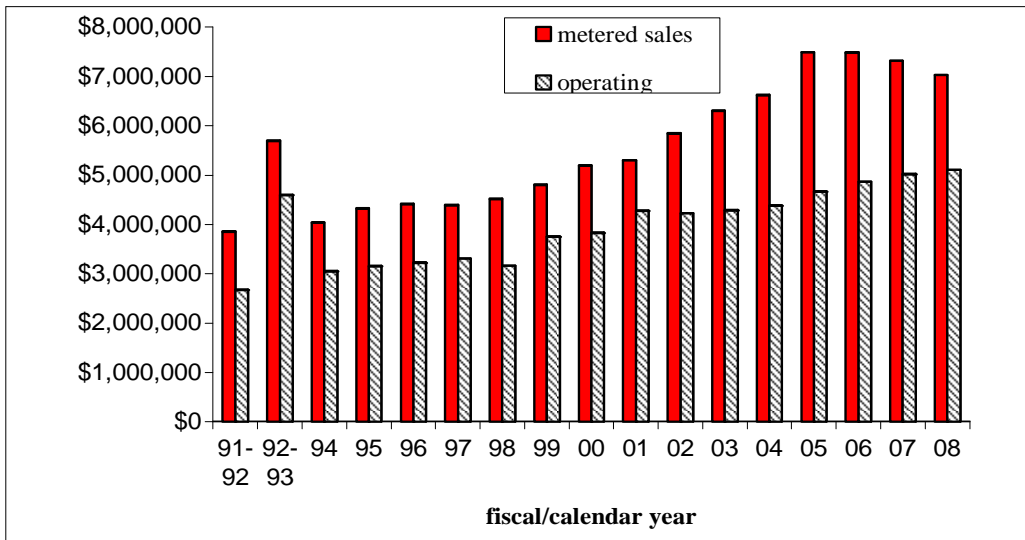
1-inch main	3,192	feet
1 ¼ inch main	310	feet
2-inch main	1,057	feet
4-inch main	53,171	feet
6-inch main	614,234	feet
8-inch main	306,617	feet
10-inch main	152,897	feet
12-inch main	213,115	feet
16-inch main	162,765	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	4,216	feet
36-inch main	8,995	feet

Number of Hydrants: 2,881

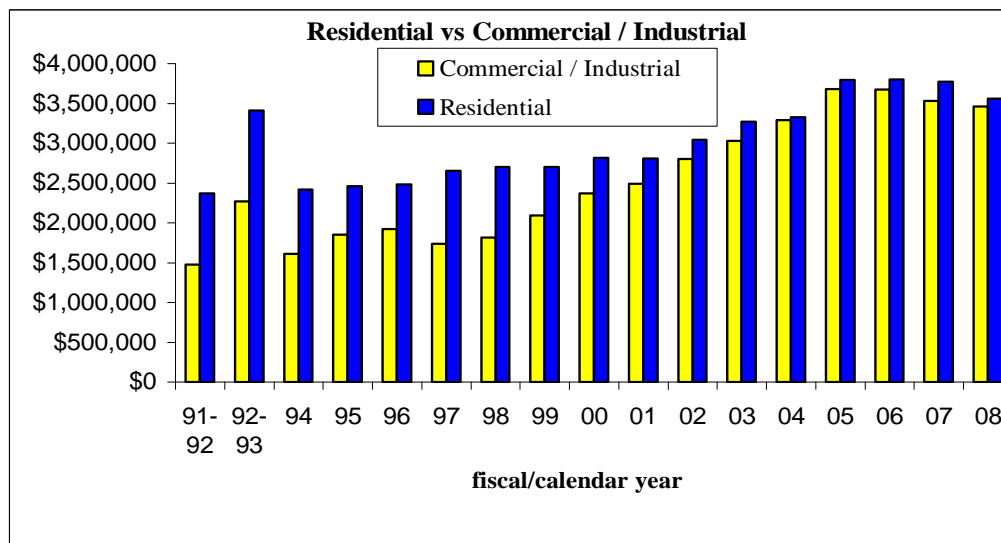
Number of Valves: 7,784

**2008 CAPITAL IMPROVEMENTS
TOTAL \$4,716,809**





METERED SALES vs OPERATING EXPENSES
(92-93 is an 18-month period)



WATER REVENUE
(92-93 is an 18-month period)

**COUNCIL BLUFFS WATER WORKS
PUMPAGE & METERED CONSUMPTION
(1,000'S Gallons)
2008**

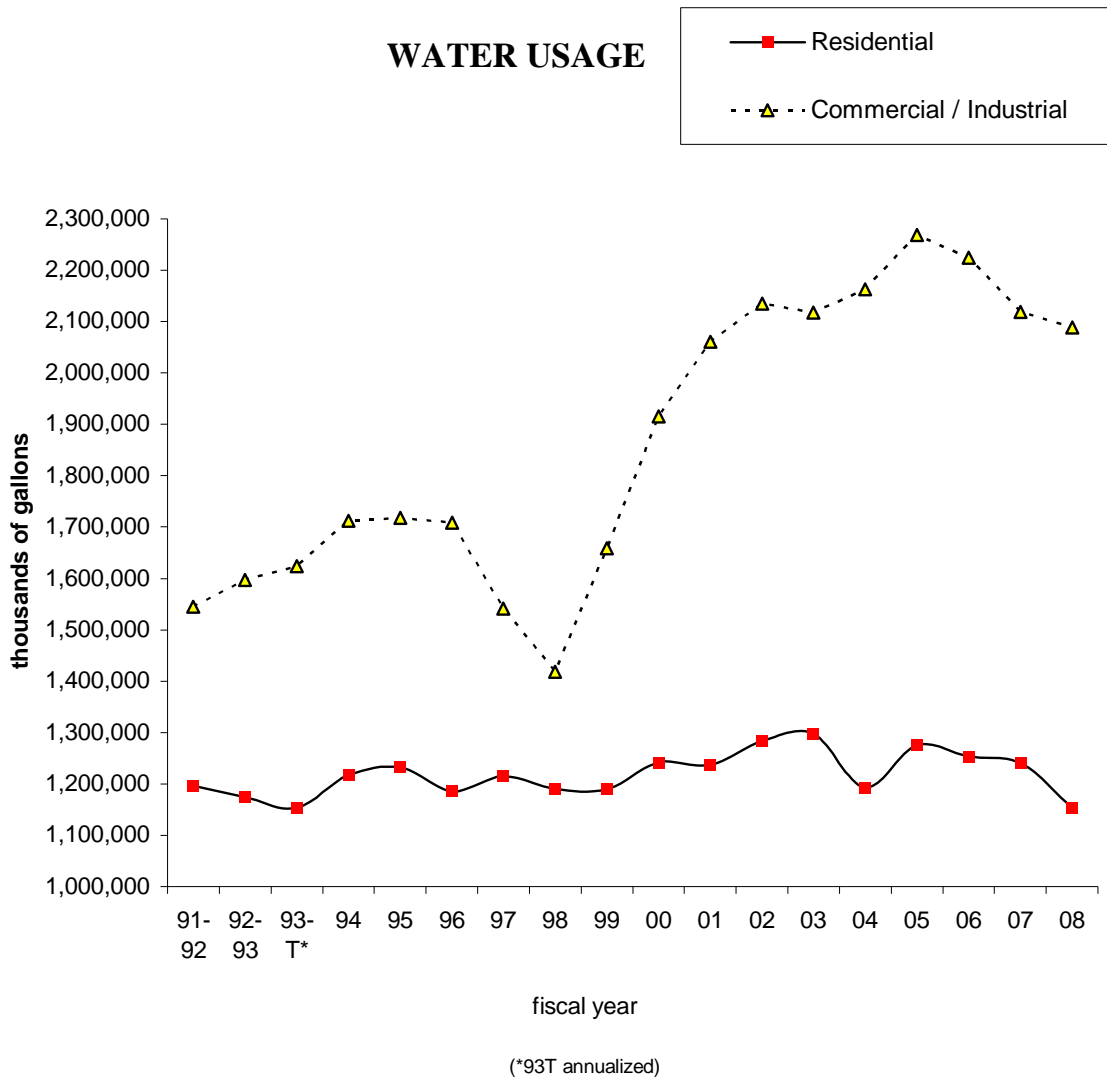
MONTH	PUMPAGE TOTAL	METERED CONSUMPTION TOTAL	CONSUMPTION COMMERCIAL & INDUSTRIAL	RESIDENTIAL
January	288,310	252,144	161,522	90,622
February	265,220	219,482	135,529	83,953
March	282,050	247,392	158,533	88,859
April	278,420	233,200	149,457	83,743
May	313,210	253,298	167,300	85,998
June	316,950	266,809	170,888	95,921
July	385,270	317,331	217,605	99,726
August	450,500	366,723	254,502	112,221
September	350,440	331,745	221,082	110,663
October	310,410	298,605	175,433	123,172
November	265,306	207,645	126,693	80,952
December	279,790	247,155	149,850	97,305
Totals 2008	3,785,876	3,241,529	2,088,394	1,153,135
Ratio		85.6%	55.2%	30.4%
Totals 2007	3,984,642	3,358,641	2,118,504	1,240,137
Ratio		84.3%	53.2%	31.1%
Totals 1998	3,060,274	2,608,869	1,418,227	1,190,642
Ratio		85.2%	46.3%	38.9%

**COUNCIL BLUFFS WATER WORKS
METERED SALES (\$)
2008**

MONTH	TOTAL	COMMERCIAL & INDUSTRIAL	RESIDENTIAL
January	551,263	269,956	281,307
February	494,243	228,734	265,509
March	544,904	266,778	278,126
April	511,456	245,962	265,494
May	556,971	286,776	270,195
June	584,703	287,677	297,026
July	661,930	352,850	309,080
August	732,374	394,919	337,455
September	685,425	357,082	328,343
October	661,811	293,101	368,710
November	474,219	222,234	251,985
December	561,328	256,273	305,055
Totals 2008	7,020,627	3,462,342	3,558,285
Ratio		49.3%	50.7%
Totals 2007	7,307,800	3,535,197	3,772,603
Ratio		48.4%	51.6%
Totals 1998	4,513,233	1,814,301	2,698,932
Ratio		40.2%	59.8%

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 37th 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 was constructed at North 25th Street. The Administration Building was relocated to North 25th 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.

GENERAL DESCRIPTION OF SYSTEM OPERATIONS

The water systems 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 distribution system has three pressure zones. The first zone is the flat (western and southern) sections of the city and

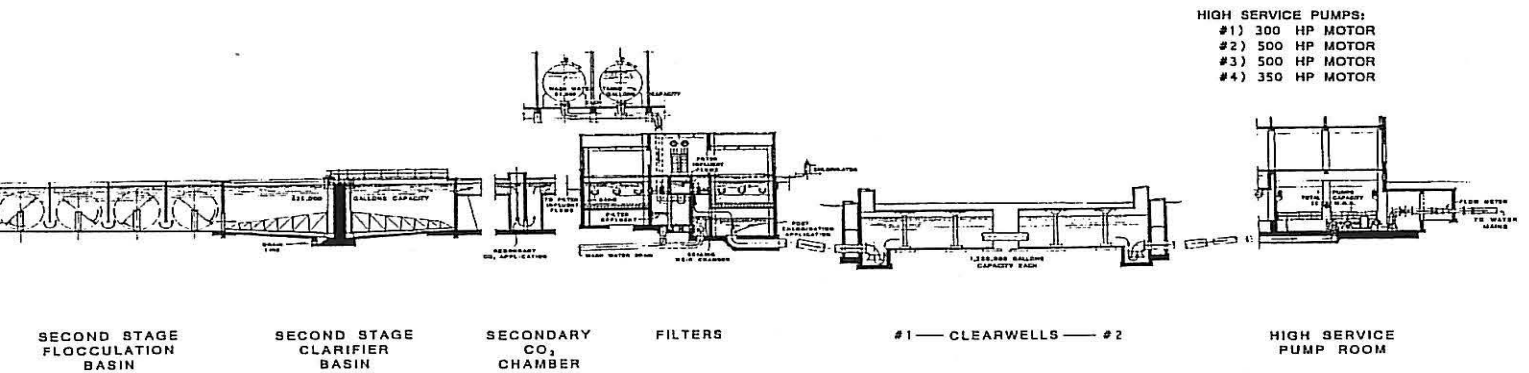
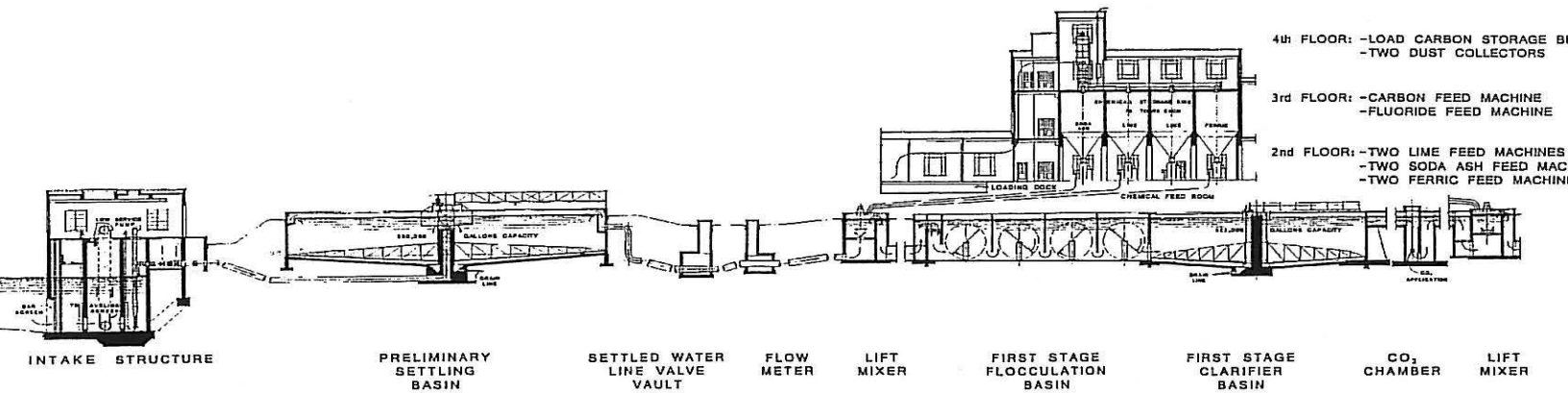
is served by three 2 million gallon reservoirs and one 3 million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the city.

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 25th Street.

WATER TREATMENT PROCESS



FINANCIAL STATEMENT

COUNCIL BLUFFS CITY WATER WORKS
FINANCIAL STATEMENTS AND SCHEDULE
DECEMBER 31, 2008 and 2007
(With Independent Auditors' Report Thereon)

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-4
FINANCIAL STATEMENTS	
Balance sheets	5
Statements of revenues and expenses	6
Statements of fund equity	7
Statements of cash flows	8
Notes to financial statements	9-16
REQUIRED SUPPLEMENTARY INFORMATION	
Comparison of cash basis – actual with cash basis – budget	17
Budgetary comparison of revenues, expenditures, and changes in balances (GAAP Basis)	18



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of December 31, 2008 and 2007, and the related statements of revenues and expenses, fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Water Works' management. Our responsibility is to express an opinion 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, Chapter 11 of the "Code of Iowa" and "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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs City Water Works as of December 31, 2008 and 2007, 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.

In accordance with "Government Auditing Standards", we have also issued a report dated March 31, 2009 on our consideration of the Water Works' internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 17 through 18 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hamilton Associates, P.C.

Council Bluffs, Iowa
March 31, 2009

Council Bluffs Water Works Council Bluffs, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS Calendar Year Ending December 31, 2008 (Audited)

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, 2008. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ♦ The Water Works' operating revenues decreased 6.5%, or \$545,776, from calendar year 2007 to 2008.
- ♦ The Water Works' operating expenses increased by 3.5%, or \$262,319, from calendar year 2007 to 2008.
- ♦ The Water Works' net assets increased 2.7% or \$1,106,697, from December 31, 2007 to December 31, 2008.

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 Balance Sheets, Statements of Revenues and Expenses, Statements of Fund Equity, 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 financial statement with a comparison of the Water Works' budget for the year.

Other Supplementary Information provides comparative financial data with a prior year and statistical data.

FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets 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 statement of net assets includes year-end information concerning current assets and liabilities, and net assets (assets less liabilities). Readers of the financial statements are able to determine the Water Works financial position by analyzing the increases and decreases in net assets. 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 assets 81.6% 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 assets 1.9% includes resources that are subject to restrictions. The remaining net assets 16.5% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Net Assets December 31, 2008 and 2007		
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 8,758,918	\$ 7,834,653
Restricted Assets	1,491,483	1,783,975
Capital Assets	<u>40,669,175</u>	<u>36,831,721</u>
Total Assets	<u>\$50,919,576</u>	<u>\$46,450,349</u>
Current Liabilities (payable from current assets)	\$2,006,666	\$1,853,188
Current Liabilities (payable from restricted assets)	761,780	906,986
Revenue bonds payable	<u>8,474,258</u>	<u>5,120,000</u>
Total Liabilities	<u>\$11,242,704</u>	<u>\$ 7,880,174</u>
Net Assets:		
Invested in capital assets, net of related debt	\$31,489,917	\$31,031,721
Restricted	729,703	876,989
Unrestricted	<u>7,457,252</u>	<u>6,661,465</u>
Total Net asset	<u>\$39,676,872</u>	<u>\$38,570,175</u>

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues received by the Waters Works, both operating and non-operating, and the expenses incurred.

A summary of revenues, expenses and changes in net assets for the year ending December 31, 2008 and 2007 is presented below:

<u>Changes in Net Assets</u>		
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Metered water sales	\$ 7,036,788	\$ 7,297,777
Rental	81,115	77,533
Other	<u>677,256</u>	<u>965,625</u>
Total operating revenues	<u>\$ 7,795,159</u>	<u>\$ 8,340,935</u>
Operating expenses:		
Facilities and maintenance	\$ 725,442	\$ 716,509
Inventory adjustment	89,421	18,751
Purification	1,098,354	1,010,931
Transmission and distribution	1,101,710	791,993
Consumer accounting and meter division	376,617	718,074
Administration and general	1,532,792	1,534,113
Pension and social security	274,430	260,051
Depreciation	<u>2,487,384</u>	<u>2,373,409</u>
Total operating expenses	<u>\$ 7,686,150</u>	<u>\$ 7,423,831</u>
Non-operating revenues (expenses):		
Interest on investments	\$ 217,041	\$ 486,730
Interest expense	(254,884)	(251,762)
Loss on disposal of equipment	<u>(23,125)</u>	<u>(78,352)</u>
Non-operating revenues, net	<u>\$ (60,968)</u>	<u>\$ 156,616</u>
Excess of revenues over expenses	<u>\$ 48,041</u>	<u>\$ 1,073,720</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the calendar year.

In calendar year 2008, operating revenues decreased by \$545,776 or 6.5%, primarily due to a decrease in water usage for the year.

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 purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2008, the Water Works had \$71,462,981 invested in capital assets, net of accumulated depreciation of \$30,988,306. Depreciation expense totaled \$2,487,384 for calendar year 2008. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2008, the Water Works had \$9,179,258 debt outstanding.

ECONOMIC FACTORS

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

- ♦ Vulnerability and security improvement of our system will be an ongoing process.
- ♦ Facilities at the 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.

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 25th Street, P O Box 309, Council Bluffs, Iowa 51502.

COUNCIL BLUFFS CITY WATER WORKS

BALANCE SHEETS
December 31, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash (Note 2)	\$ 5,001,280	\$ 4,025,861
Short-term investments (Note 2)	1,539,000	1,539,000
Inventory	711,643	674,314
Receivables:		
Consumer accounts, net of allowance for doubtful accounts of \$1,000 in 2008 and \$1,000 in 2007	1,057,853	1,145,739
Unbilled revenues	325,502	315,477
Accrued interest	10,372	18,346
Total receivables	\$ 1,393,727	\$ 1,479,562
Prepaid insurance	113,268	115,916
Restricted assets (Note 3)	1,491,483	1,783,975
Total current assets	\$ 10,250,401	\$ 9,618,628
Property, plant and equipment, net (Note 4)	40,474,675	36,727,249
Capitalized Costs, net (Note 5)	194,500	104,472
	<u>\$ 50,919,576</u>	<u>\$ 46,450,349</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 483,677	\$ 395,226
Salaries payable	28,950	65,121
Accrued compensated absences	162,534	150,385
Accrued interest payable	24,092	17,599
Due to City of Council Bluffs	602,413	544,855
Current portion of long term debt (Note 6)	705,000	680,000
Total current liabilities (payable from current assets)	\$ 2,006,666	\$ 1,853,186
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 577,195	\$ 538,965
Main extension escrow deposit	34,198	229,495
Accrued interest on consumer deposits	150,387	138,526
Total current liabilities (payable from restricted assets)	\$ 761,780	\$ 906,986
Long term debt (Note 6)	\$ 8,474,258	\$ 5,120,000
Total liabilities	\$ 11,242,704	\$ 7,880,174
FUND EQUITY		
Contributed capital:		
Other governments	\$ 1,566,902	\$ 1,629,382
Customers and developers	7,801,949	7,376,665
Total contributed capital	\$ 9,368,851	\$ 9,006,047
Retained earnings	30,308,021	29,564,128
Total fund equity	\$ 39,676,872	\$ 38,570,175
	<u>\$ 50,919,576</u>	<u>\$ 46,450,349</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS
STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2008 and 2007

	2008	2007
Operating revenues:		
Metered water sales	\$ 7,036,788	\$ 7,297,777
Rental	81,115	77,533
Other	<u>677,256</u>	<u>965,625</u>
Total operating revenues	<u>\$ 7,795,159</u>	<u>\$ 8,340,935</u>
Operating expenses:		
Facilities and maintenance	\$ 725,442	\$ 716,509
Inventory adjustment	89,421	18,751
Purification	1,098,354	1,010,931
Distribution and meter	1,101,710	791,993
Customer accounting	376,617	718,074
Administration and general	1,532,792	1,534,113
Pension and social security	274,430	260,051
Depreciation and amortization	<u>2,487,384</u>	<u>2,373,409</u>
Total operating expenses	<u>\$ 7,686,150</u>	<u>\$ 7,423,831</u>
Operating income	<u>\$ 109,009</u>	<u>\$ 917,104</u>
Nonoperating revenues (expenses):		
Interest on investments	\$ 217,041	\$ 486,730
Interest expense	(254,884)	(251,762)
Loss on disposal of equipment	<u>(23,125)</u>	<u>(78,352)</u>
Nonoperating revenues, net	<u>\$ (60,968)</u>	<u>\$ 156,616</u>
Excess of revenues over expenses	<u><u>\$ 48,041</u></u>	<u><u>\$ 1,073,720</u></u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF FUND EQUITY
Years Ended December 31, 2008 and 2007

	Contributed Capital			Retained Earnings	Total Fund Equity
	Other Governments	Customers and Developers	Total		
Balances at December 31, 2006	\$1,752,704	\$ 7,135,851	\$ 8,888,555	\$27,845,141	\$36,733,696
Excess of revenues over expenses				1,073,720	1,073,720
Contributions-in-aid of construction	-	762,759	762,759	-	762,759
Transfers – Depreciation of contributed property, plant and equipment	<u>(123,322)</u>	<u>(521,945)</u>	<u>(645,267)</u>	<u>645,267</u>	<u>-</u>
Balances at December 31, 2007	\$1,629,382	\$ 7,376,665	\$ 9,006,047	\$29,564,128	\$38,570,175
Excess of revenues over expenses				48,041	48,041
Contributions-in-aid of construction	64,044	994,612	1,058,656	-	1,058,656
Transfers – Depreciation of contributed property, plant and equipment	<u>(126,524)</u>	<u>(569,328)</u>	<u>(695,852)</u>	<u>695,852</u>	<u>-</u>
Balances at December 31, 2008	<u>\$1,566,902</u>	<u>\$ 7,801,949</u>	<u>\$ 9,368,851</u>	<u>\$30,308,021</u>	<u>\$39,676,872</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 7,114,649	\$ 7,528,953
Cash received from other revenues	758,371	1,043,158
Cash paid to suppliers for goods and services	(2,711,138)	(2,773,393)
Cash paid to employees and on their behalf	(2,419,650)	(2,233,944)
(Payments) receipts for City sewer services net of collections	57,558	(3,693)
Net cash provided by operating activities:	<u>\$ 2,799,790</u>	<u>\$ 3,561,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of revenue bonds	\$ (680,000)	\$ (650,000)
Revenue bonds issued	4,059,258	-
Loan fees, net of bond amortization	(103,530)	-
Revenue bonds deposit	-	-
Interest paid on revenue bonds	(220,583)	(227,535)
Interest paid on consumer deposits	(15,947)	(18,390)
Additions to property, plant, and equipment	(6,244,434)	(6,859,987)
Main extension escrow deposits	(195,297)	(400,312)
Contributions-in-aid of construction	1,058,656	762,759
Net cash provided by capital and related financing activities	<u>\$ (2,341,877)</u>	<u>\$ (7,393,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales of investments	\$ -	\$ 1,480,000
Interest received on investments	232,149	541,338
Net cash provided investing activities	<u>\$ 232,149</u>	<u>\$ 2,021,338</u>
Net increase (decrease) in cash	\$ 690,062	\$ (1,811,046)
Cash at beginning of year	4,875,186	6,686,232
Cash at end of year	<u>\$ 5,565,248</u>	<u>\$ 4,875,186</u>
Reconciliation to balance sheets:		
Cash	\$ 5,001,280	\$ 4,025,861
Cash included in restricted assets	563,968	849,325
	<u>\$ 5,565,248</u>	<u>\$ 4,875,186</u>
See Notes to Financial Statements.		

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies

Reporting Entity and Basis of Accounting

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.

The Water Works has elected to apply all pronouncements of the Governmental Accounting Standards Board ("GASB") as well as all Financial Accounting Standards Board's statements and interpretations issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended December 31, 2004. The statements create new basic financial statements for reporting the Water Works' financial activities. The financial statements have always been prepared on an accrual basis of accounting so the beginning net assets did not have to be restated for that reason.

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.

Short-term Investments

Investments include time certificates of deposit maturing within six months. Investments are carried at cost which approximates market.

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.

Valuation of Inventories

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007

Note 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.

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.

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.

Cash and Cash Equivalents

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

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.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 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, 2008 balance sheet including restricted cash and cash equivalents and investments:

Deposits

For reporting purposes, Water Works' deposits are classified in these three categories of credit risk:

1. Insured or collateralized with securities held by the Water Works or by its agent in the Water Works' name.
2. Collateralized with securities held by the pledging financial institution for all Water Works' deposits as required by state law.
3. Uncollateralized.

At December 31, 2008, deposits consisted of the following:

Book Balance	Bank Balance	Category		
		1	2	3
<u>\$ 5,565,248</u>	<u>\$ 5,971,662</u>	<u>\$ 500,000</u>	<u>\$ 5,471,662</u>	<u>\$ - -</u>

Investments

For reporting purposes, the Water Works' investments are classified in these three categories of credit risk:

1. Insured or registered, or securities held by the entity, or its agent in the Water Works' name.
2. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent in the Water Works' name.
3. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the Water Works name.

Investments at December 31, 2008 consisted of the following:

	Category			Carrying amount	Market value
	1	2	3		
Investments	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 2,457,500</u>	\$ 2,457,500	<u>\$ 2,457,500</u>
Deposits				<u>5,565,248</u>	
				\$ 8,022,748	
Restricted assets (excluding accrued interest)				<u>1,482,468</u>	
				<u>\$ 6,540,280</u>	

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 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, 2008 and 2007 are as follows:

	2008	2007
Consumer deposit fund cash	\$ 479,005	\$ 437,107
Sinking fund cash	84,963	74,265
Consumer deposit fund investments	210,000	210,000
Reserve fund investments	708,500	708,500
Project Fund Cash	--	337,953
Accrued interest	<u>9,015</u>	<u>16,150</u>
	<u>\$ 1,491,483</u>	<u>\$ 1,783,975</u>

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2008 and 2007 consists of the following:

Description	Useful life in years	2008	2007
Land	-	\$ 378,608	\$ 378,608
Buildings and structures	20-40	13,171,573	9,841,137
Water distribution system	20-40	43,970,279	40,319,126
Meters	25-40	957,220	938,841
Tools and equipment	3-20	5,855,720	5,545,702
Automobiles and trucks	5	1,345,830	1,329,663
Office equipment	15	104,985	104,985
Work in progress		<u>5,678,766</u>	<u>6,885,841</u>
		\$ 71,462,981	\$ 65,343,903
Less accumulated depreciation		<u>(30,988,306)</u>	<u>(28,616,654)</u>
		<u>\$ 40,474,675</u>	<u>\$ 36,727,249</u>

As of December 31, 2008 the Water Works had contractual commitments of approximately \$7,306,578 for various construction projects of which \$2,181,419 has been completed. Funding for \$6,681,144 of these projects is payable from long term debt with the remainder payable from general operating funds.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 5. Capitalized Costs

The costs incurred to obtain financing of the Revenue Bond Refunding, Series 2004 and the Water Revenue Bonds, Series 2005 and 2006 have been capitalized and are being amortized as described below:

		2008	2007
Water Revenue Refunding, Series 2004			
Financing costs	81 months	\$ 44,899	\$ 44,899
Less accumulated amortization		<u>(31,595)</u>	<u>(24,945)</u>
Capitalized costs, net		<u>\$ 13,304</u>	<u>\$ 19,954</u>
Water Revenue Bonds, Series 2005			
Financing costs	180 months	\$ 53,740	\$ 53,740
Bond Premium		(7,651)	(7,651)
Less accumulated amortization		<u>(7,500)</u>	<u>(5,449)</u>
Capitalized costs, net		<u>\$ 38,589</u>	<u>\$ 40,640</u>
Water Revenue Bonds, Series 2006			
Financing costs	180 months	\$ 16,626	\$ 16,626
Bond Discount		34,001	34,001
Less accumulated amortization		<u>(10,125)</u>	<u>(6,749)</u>
Capitalized costs, net		<u>\$ 40,502</u>	<u>\$ 43,878</u>
State Revolving Funds			
Financing costs	240 months	\$ 103,530	\$ --
Less accumulated amortization		<u>(1,425)</u>	<u>--</u>
Capitalizes costs, net		<u>\$ 102,105</u>	<u>\$ --</u>
Total capitalized costs, net		<u>\$ 194,500</u>	<u>\$ 104,472</u>

Note 6. Revenue Bonds

On April 1, 1995, the Water Works issued \$4,500,000 in tax-exempt Water Revenue Bonds Series 1995, bearing interest at rates ranging from 5.4% to 5.5% due in 2010. The bonds were issued to pay costs of construction of a 1.5 MGD Clearwater Well as well as various other capital projects. The bonds may be redeemed, in whole at any time, or in part on any interest payment date, in order of maturity on or after December 1, 1996. These bonds were paid off in December 2005 with the proceeds from the 2004 Water Revenue Refunding Bonds.

On April 1, 2004, the Water Works issued \$2,085,000 in tax exempt Water Revenue Refunding Bonds Series 2004, bearing interest at rates ranging from 1.5% to 2.6% due in 2010. The bonds were issued to crossover refund on December 1, 2005, \$2,020,000 of the outstanding Series 1995 Bonds, maturing December 1, 2006 through 2010, originally dated April 1, 1995.

On December 21, 2005, the Water Works issued \$1,995,000 in tax exempt Water Revenue Bonds Series 2005, bearing interest at rates ranging from 3.9% to 4.1% due in 2020. In January 2006, the Water Works issued \$3,005,000 in tax exempt Water Revenue Bonds Series 2006, bearing interest at rates ranging from 3.5% to 4.375%. The 2005 and 2006 Series bonds were issued to finance the following projects: a new booster pump station, new ground storage reservoir with a 2 to 3 million-gallon capacity, and new high service pump.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 6. Revenue Bonds (Continued)

The bond resolutions relating to the Series 2004, 2005 and 2006 Revenue Bonds require the Water Works to provide net available revenue at an amount not less than 1.25 times the maximum annual debt service on the then outstanding bonds. For the years ended December 31, 2008 and 2007 the ratio was 2.48 and 4.19 respectively.

The bond resolutions also provide for the maintenance of a revenue fund represented by a cash account into which all monies derived by the Water Works from revenue are to be deposited. These funds are transferred monthly, in amounts to meet specified requirements, to separate accounts for operations and maintenance, bond redemption and interest, bond reserves and capital projects. The Water Works was in compliance with all debt covenants for the years ended December 31, 2008 and 2007.

In January 2008, the Water Works was pre-approved for a \$29,846,077 construction loan to build a second water treatment facility. As of December 31, 2008, the Water Works executed a loan agreement for \$10,353,000, bearing interest at 3.00% due in 2029. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2008 the Water Works had drawn down \$1,970,578. In 2009, the Water Works plans to execute loans on the remaining \$19,493,077.

The Iowa Finance Authority has also issued an interim loan with balance of \$2,088,680 at December 31, 2008. The loan is interest free and matures on January 17, 2011 at which time it will be rolled into the Water Revenue Capital Loan Note.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2008 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2009	\$ 705,000	\$ 314,553	\$ 1,019,553
2010	1,120,000	282,833	1,402,833
2011	697,000	247,938	944,938
2012	719,000	223,788	942,788
2013	746,000	198,883	944,883
Thereafter	<u>5,192,258</u>	<u>641,504</u>	<u>5,833,762</u>
	<u>\$ 9,179,258</u>	<u>\$ 1,909,499</u>	<u>\$ 11,088,757</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 7. Retirement Systems

IPERS

The Water Works is a participating employer in the Iowa Public Employees Retirement System ("IPERS"), which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security. During 1998, IPERS adopted GASB Statement No. 25 and the Water Works adopted GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers".

All employees who did not participate in any other public retirement system in the State are eligible and must participate in IPERS. The pension plan provides retirement and death benefits, which are established by State statute. Generally, a member may retire at the age of 65 or any time after age 62 with 30 years or more of service or when age plus years of service equals or exceeds 88, and receive full benefits. However, regardless of meeting the Rule of 88 the member will not receive full benefits unless the member has at least 30 years of service. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to fifty-six percent of the average of the highest three years of covered wages times years of service divided by 30 for members retiring on or after July 1, 1992.

The plan is administered by the State of Iowa and the Water Works' responsibility is limited to payment of contributions. Contribution and benefit provisions are established by state law and may only be amended by the state legislature. During the year ended June 30, 2009, State statute requires contributions of 4.10 percent by the employee and 6.35 percent by the employer. Certain employers and employees in special risk occupations contribute at a slightly higher rate as required by statute. Contribution rates are applied on the first \$230,000 and \$225,000 of compensation in calendar years 2008 and 2007 respectively. The contribution paid by the Water Works totaled \$138,721 and \$128,579 for the years ended December 31, 2008 and 2007 respectively, and the contribution paid by employees totaled \$91,624 and \$82,120, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2008 and 2007 was \$2,288,074 and \$2,164,599 respectively, and the total Water Works' payroll for 2008 and 2007 was \$2,301,224 and \$2,166,036 respectively. The Water Works' employer and employee contributions during the years ended December 31, 2008 and 2007 represented less than one percent of total contributions of all participating entities.

IPERS prepares a separate report that includes financial statements and required supplementary information. The report can be obtained by writing IPERS, 600 East court, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2008 and 2007

Note 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 the City workers' compensation self-insurance plan. The plan pays \$500,000 per incident with no upper limit. The Water Works pays a premium to the City for its portion of workers' compensation.

As of July 2007, 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 \$249,600. 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, 2008 was \$ 6,089.

COUNCIL BLUFFS CITY WATER WORKS

Comparison of Cash Basis – Actual with Cash Basis - Budget

Year ended December 31, 2008

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 7,996,563</u>	<u>\$ 5,151,892</u>	<u>\$ 8,898,400</u>
Enterprise – general (expenses)	<u>\$ 10,828,567</u>		<u>\$ 16,926,183</u>

Year ended December 31, 2007

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 8,824,150</u>	<u>\$ 5,229,549</u>	<u>\$ 8,618,900</u>
Enterprise – general (expenses)	<u>\$ 12,381,326</u>		<u>\$ 13,960,528</u>

See Independent Auditors' Report.

COUNCIL BLUFFS CITY WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES

BUDGET AND ACTUAL (GAAP BASIS)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2008

	2008 Actual	2008 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 7,036,788	\$ 8,040,000	\$ (1,003,212)
Rental	81,115	85,000	(3,885)
Other	677,256	503,400	173,856
Total operating revenues	<u>\$ 7,795,159</u>	<u>\$ 8,628,400</u>	<u>\$ (833,241)</u>
Operating expenses:			
Facilities and maintenance	\$ 725,442	\$ 775,175	\$ 49,733
Inventory adjustment	89,421	10,000	(79,421)
Purification	1,098,354	1,045,250	(53,104)
Distribution and meter	1,101,710	1,119,000	17,290
Customer accounting	376,617	454,025	77,408
Administration and general	1,532,792	1,661,500	128,708
Pension and social security	274,430	275,000	570
Total operating expenses	<u>\$ 5,198,766</u>	<u>\$ 5,339,950</u>	<u>\$ 141,184</u>
Operating income	<u>\$ 2,596,393</u>	<u>\$ 3,288,450</u>	<u>\$ (692,057)</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 217,041	\$ 285,000	\$ (67,959)
Interest expense	(254,884)	(234,650)	(20,234)
Loss on disposal of equipment	(23,125)	(15,000)	(8,125)
Nonoperating revenues, net	<u>\$ (60,968)</u>	<u>\$ 35,350</u>	<u>\$ (96,318)</u>
Change in net assets before depreciation	\$ 2,535,425	<u>\$ 3,323,800</u>	<u>\$ (788,375)</u>
Depreciation	(2,487,384)		
Contributions in aid of construction	1,058,656		
	<u>\$ 1,106,697</u>		
Total net assets beginning	<u>38,570,175</u>		
Total net assets ending	<u>\$ 39,676,872</u>		