

2009



# 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

2009 will go down in history as one of the greatest economic downturns for our country since World War II or even the Great Depression. Although technically it is not considered a depression, it sure is one mean recession. While not unscathed, at least so far, our area has fared much better than other parts of the country. The Council Bluffs Water Works has seen some scaling back in industrial water usage and the unusually wet and cool summer resulted in reduced water sales in 2009.

Even so, the Board of Trustees is confident that our community has a very bright future and continued on the path of developing a new water supply on the south side of the City. This project will secure the water supply future for a growing community for the next quarter century and beyond. For the past four years the Board has worked diligently through the planning and design process, secured the financing, and acquired 100 acres of land to make this project a reality.

All of these activities culminated in November when the Board awarded a \$22,100,400 contract to Foley Company of Kansas City for the construction of the Council Point Water Purification Plant. Our customer's are the beneficiaries of a very favorable bidding climate that resulted in a construction contract well below the design estimates. Construction will continue over the next two years with completion of the plant scheduled in 2012.

While the Board prepares for the water supply future of our community our employees continued to do the everyday activities of maintenance and operations that ensures that our customers have the best quality drinking water and service possible.

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

Martin L. Brooks  
Chairman

Trustees:  
Carl L. Heinrich  
Glen M. Mitchell  
Maureen R. Kruse  
Mark A. Genereux

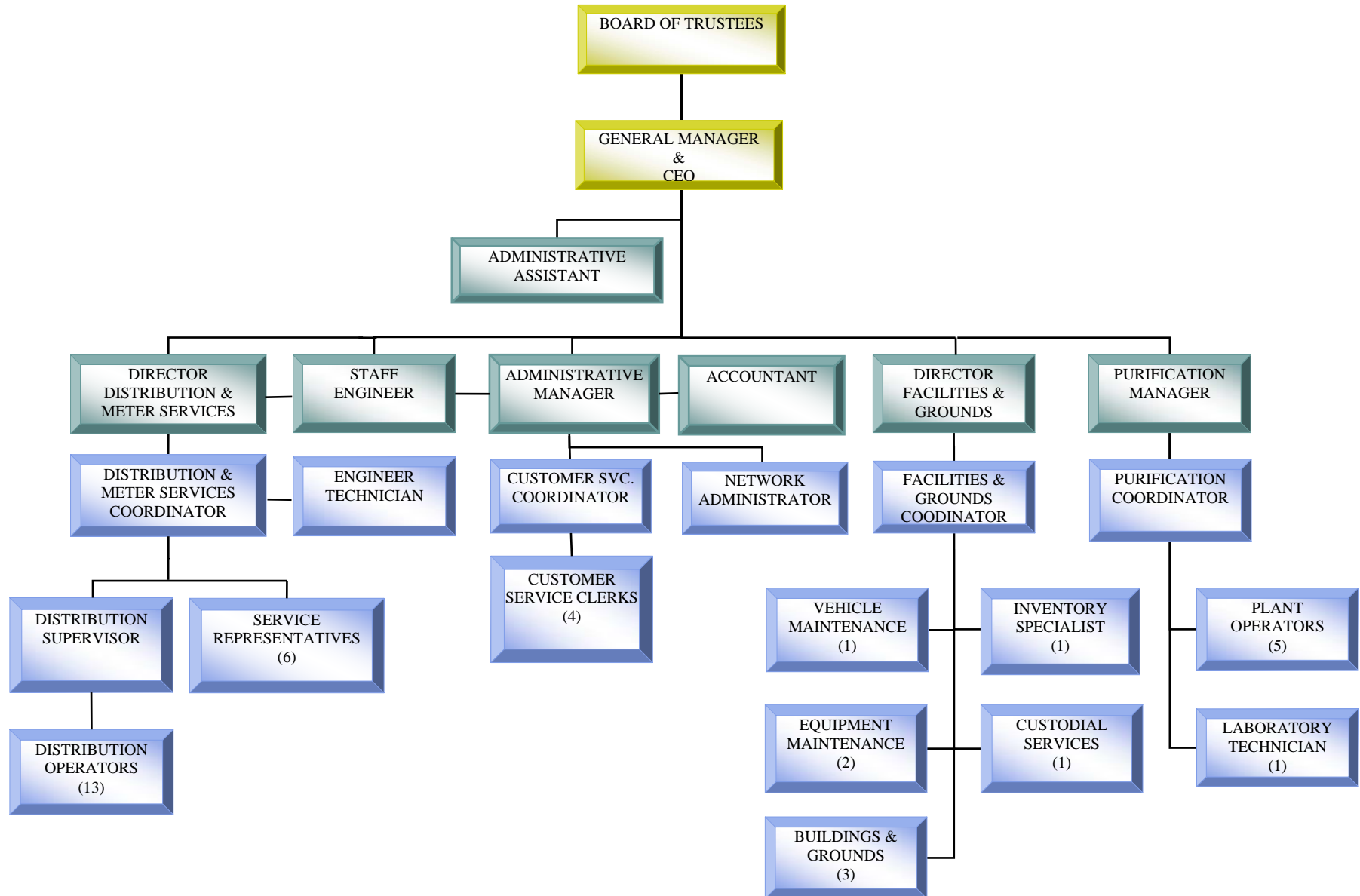
**2009  
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 1,500 Cubic Feet	\$2.23	\$3.35
Next 28,500 Cubic Feet	\$1.63	\$2.44
Next 970,000 Cubic Feet	\$1.02	\$1.52
Next 1,000,000 Cubic Feet	\$0.99	\$1.48
Over 2,000,000 Cubic Feet	\$0.58	\$0.87

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 3,000 Cubic Feet	\$2.23	\$3.35
Next 57,000 Cubic Feet	\$1.63	\$2.44
Next 1,940,000 Cubic Feet	\$1.02	\$1.52
Next 2,000,000 Cubic Feet	\$0.99	\$1.48
Over 4,000,000 Cubic Feet	\$0.58	\$0.87

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	Martin L. Brooks	term expires June 30, 2013
Trustee	Carl L. Heinrich	term expires June 30, 2010
Trustee	Glen M. Mitchell	term expires June 30, 2012
Trustee	Mark A. Genereux	term expires June 30, 2011
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
Supervisor:	Douglas P. Adkins	Iowa Grade II Operator
Engineering Technician	Karen R. Perdue	
Distribution Personnel:	Steve W. Thurman	Iowa Grade III Operator
	Matthew L. Farrell	Iowa Grade II Operator
	John D. Penney	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	
Meter Personnel:	David A. McLean	
	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	
	Dan L. Riesland	
	Chad M. Springer	

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

Director: Ronnie G. Kopaska

Coordinator: Raymond P. Stevens

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

### ***CUSTOMER SERVICE & ACCOUNTING DEPARTMENT***

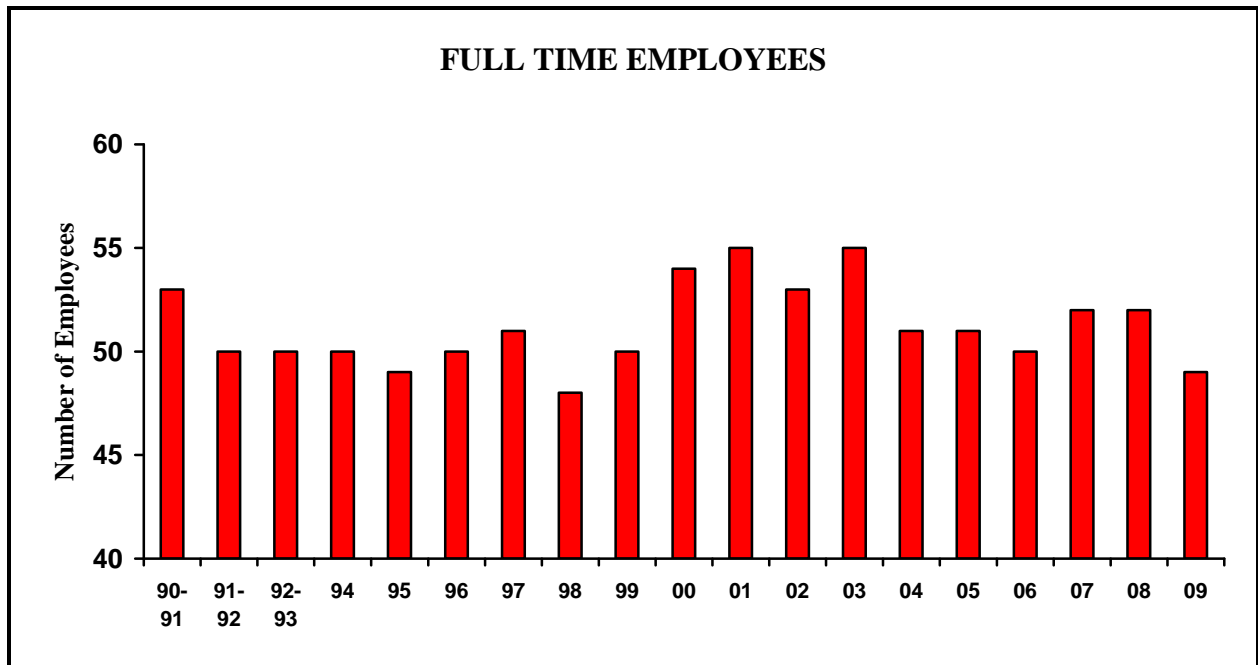
Administrative Manager: Karen A. Wisniski

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 2009, the Council Bluffs Water Works Narrows Treatment Plant delivered 3,730,721,000 gallons of potable water to its customers. Our average daily pumpage was 10,221,000 gallons with a maximum of 15,530,000 gallons on July 2, 2009.

Our Bacteriological Lab passed the bi-annual State of Iowa's Inspection. The satisfactory inspection ensures our certification for analyzing and reporting total Coliform and e-coli bacteria. This inspection takes place once every two years and certifies our lab to analyze total Coliform and e-coli for the Water Works and public water supplies in southwest Iowa. We are required by the IDNR to collect a minimum of 70 samples per month throughout the City from designated sites. Having the ability to analyze samples in-house saves time and money and allows more flexibility for new construction testing in our system.

The Purification Department completed the initial testing required under the Stage II Disinfection By-Product (DBP) rule. This rule consisted of development of an Initial Distribution System Evaluation and additional monitoring of DBPs throughout our system. Following testing and submission of the results the Iowa Department of Natural Resources approved our Stage II DBP Monitoring Plan in 2009. Also, we continued the second round of the Unregulated Contaminant Monitoring Rule as required by the USEPA. The results showed that there were "no detects" for all 10 contaminants tested in 2010.

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

The new south water supply pilot plant project was completed in 2009. A tremendous amount of data was collected and reviewed by all parties involved. After a complete review of the data collected and the acknowledgement that no further testing was necessary, the Pilot Plant was decommissioned and sent back to General Electric. The pilot plant demonstrated that the membrane treatment technology will produce high quality drinking water and the process was subsequently approved by IDNR.

The development of the new Council Point Water Purification facility continues to progress. Five production wells were developed with a sustained capacity of 1,500 – 2,000 gallons per minute each. All general raw water quality analysis for the new wells met expectations and have been reviewed, and submitted to the Iowa Department of Natural Resources. The general contract for construction of the new water plant was awarded in November to Foley Company from Kansas City, Missouri.

The Army Corp of Engineers also announced that runoff in 2009 totaled 33.7 million acre feet (MAF), 136 percent of average. Storage peaked in the system of reservoirs at 57.9 MAF in July. The on-going 9 year drought officially ended. The U.S. Congress has authorized the Army Corps of Engineers to conduct a study that will review the authorized purposes of the main stem reservoirs on the Missouri River. This study is expected to take several years.

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

<b><u>Water Treatment Chemical</u></b>	<b><u>Tons Used</u></b>	<b><u>\$ Cost</u></b>
Lime	1,988	\$286,274
Ferric Sulfate	150	99,196
Liquid Chlorine	82	48,720
Soda Ash	69	21,969
Sodium Silicofluoride	15.6	17,724
Sodium Chlorite	13.1	14,457
Polymer	11.7	11,208
Anhydrous Ammonia	8.3	11,923
Powder Activated Carbon	6.9	9,043
Sodium Hexametaphosphate	4.6	14,144

Potassium Permanganate	1.0	6,312
Total Water Treatment Chemical Cost		\$540,970

## ***DISTRIBUTION DEPARTMENT***

In 2009, the Distribution Department mounted lap top computers in seven service vehicles that allows personnel to look up GIS information in the field. This capability improves our efficiency and accuracy of our field work in the distribution system.

Among our many activities we completed a leak survey of our entire system, maintained all fire hydrants and painted 351 hydrants as part of our annual program. Additionally, our personnel responded to 450 emergency call-outs throughout the year during all hours and weather conditions to ensure continued water service to our customers.

The Distribution Department's main replacement efforts this year continued to support of city street and sewer replacement projects. Water mains were also added in new developments. Department personnel repaired approximately 2,643 square yards of PCC paving. 1,127.35 square yards of asphalt overlay was installed by agreement with the Public Works Department.

This year the department:

- Made 126 small taps, and 16 purification taps
- Checked 192 service leaks
- Turned on/off 112 services
- Repaired 55 service lines and 175 curb boxes
- Replaced 17 services from the main to stop box
- 7 services were moved for construction by Water Works personnel
- 20 services were connected by contractors
- Killed 39 services at the main and 19 at the curb stop
- Answered 6,048 requests for service line or main location
- Turned 1,302 large valves, rebuilt 18, replaced 8 and added 5 new valves
- Installed 43 additional valves with Water Works mains
- Repaired 46 main leaks, moved 1 water main, Killed 2 water mains and relocated 4 water mains
- Repaired 138 valve boxes
- Made 11 large taps (4 inches and above)
- Removed 7 fire hydrants from service which were obsolete, damaged or for main replacement
- 6 Hydrants were replaced by Water Works personnel
- Hydrants painted and domes color coded by an outside contractor 351
- Hydrants checked for leak survey 4,175
- Hydrant flow tested 184
- Checked 3,797 hydrants
- Repaired 340 hydrants
- Relocated 5 hydrants
- Scooped snow from 372 hydrants
- Flushed 698 hydrants
- Thawed out 33 fire hydrants

Observed installation of 4,352 feet of new mains installed by contractors.

Mains installed by size were:

- 510 feet of 6-inch main
- 2,638 feet of 8-inch main
- 340 feet of 10-inch main
- 863 feet of 12-inch main

## ***METER SERVICES DEPARTMENT***

In 2009, the Meter Department continued to upgrade and exchanged 1,006 water meters. While continuing to maintain and upgrade the Water Works' 23,000 plus water meters, we placed an additional 378 Badger Orion Radio Read water meters with data profiling capabilities into the distribution system. The new cost effective data profiling meters still read and report water usage as water meters do currently in the system, but also give the ability to better track water usage in real time as well as ease and reduce the amount of time spent reading water meters.

In addition to the meter exchanges this year the department:

- Replaced 71 dead meters
- Removed 22 meters for demolition
- Repaired 92 leaking meters
- Replaced 89 frozen meters
- Installed 133 touch pads
- Installed 355 radio reading devices
- Set 213 new addresses with meters
- Set 23 new addresses with large meters
- Exchanged 6 large meters
- Wired 287 new construction homes
- Monitored 344 new construction homes
- Survey 529 accounts for leaks
- Tested 2 meters in the field
- Performed 3,065 final readings
- Read 3,902 RMMS
- Researched 200 high bill orders
- Verified 37 meter readings
- 571 notes were left to read the meter
- Turned on 736 delinquent accounts for Customer Service
- 1,205 cards were left for delinquent accounts
- Pump Stations and Reservoirs were checked 371 times
- Reported 17 water main leaks
- Found 32 service leaks
- Found 16 damaged fire hydrants
- 58 meter routes were read 378 times

## ***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.

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, #1 High Service Pump, and #3 Glen Avenue Booster Pump. Each respective pump was disassembled and re-conditioned. Motors were pulled for cleaning and inspection. Department personnel and Beeline Electric also replaced six obsolete furnace soft start motor controls in our pump stations.

Department personnel upgraded and retrofitted eighteen (18) 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.

The Facilities and Grounds Department were involved in additional landscaping improvements to the Water Works main office grounds, plant grounds and other properties maintained by the Water Works.

Power and fuel are essential to our operations. It took 4,494,726 kWh of electricity at a cost of \$197,019.38 to process and distribute over three billion gallons of water. We participated in MidAmerican Energy's load shed program by operating our emergency generator to power our facilities during peak power usage receiving a rebate of \$13,432.00. We also used 15,650 gallons of lead free gasoline to fuel the Water Works vehicles at a cost of \$28,527.46. We also used 10,194 gallons of red diesel fuel at a cost of \$18,829.05. We used 8,303 cubic feet of natural gas at a cost of \$32,468.30.

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 140,523 meter readings, mailed 122,326 bills, and sent 27,057 reminders and 12,671 shut-off notices to customers. There were 14,734 automatic bank payments, 3,408 credit card payments, and 3,683 online web credit card payments. There were 308 returned checks. 1,312 payment arrangements were made with a Credit Manager or Customer Service Representative. 1,141 water bills were paid on the day of shut-off and 1,062 services were discontinued for non-payment. 3,723 service contracts were processed to transfer, reinstate or add new customers to the system. We gained 163 new customers. 7,616 meter service orders were written for final readings, high bills, dead meters, or to install new meters and 754 meters were installed or replaced.

In January 2009, the Council Bluffs Water Works started using its new upgraded information system for the Customer Service programs. The Water Works has partnered with Cogsdale Corporation since 2007 to upgrade the information systems. The information system provides 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. In May 2009, the Council Bluffs Water Works offered another new service to our customers. Customers are now able to go to the Water Works website to review and pay their water bills online. The Council Bluffs Water Works is benefiting through efficiency, flexibility and control with the new system.

### ***GENERAL INFORMATION***

The Council Bluffs Water Works has 21,270 active service accounts: 19,486 residential; 1,784 are commercial or industrial.

Last year, total production was 3,730,721,000 gallons.

Residential customers consumed 1,132,148,116 gallons in 2009. The average residential customer used 53,227 gallons at cost of \$168.87 per year or \$14.07 per month.

Our top ten customers consumed 995,418,952 gallons, 26.7% of total production.

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

618 outside-City customers paid \$494,093.95 for 186,507,068 gallons of water.

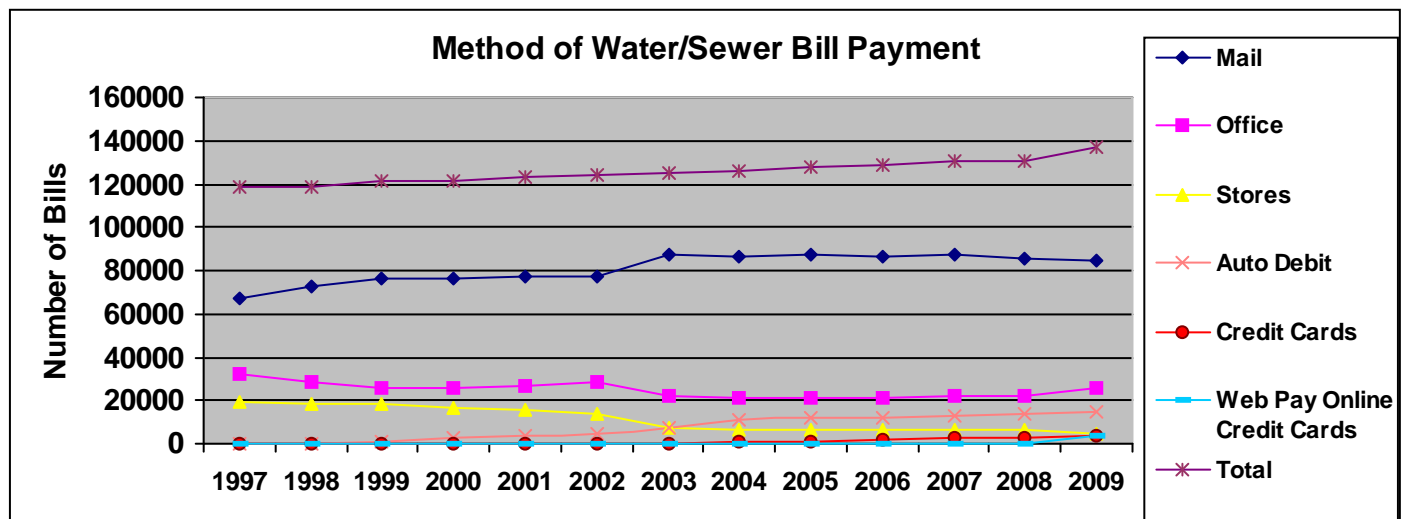
The City of Crescent paid \$43,437.52 for 22,458,512 gallons of water.

Regional Water paid \$91,071.88 for 43,106,492 gallons of water.

In total, outside City customers paid \$628,603.35 for 208,755,580 gallons of water. This represents 8.8% of metered water sales and 5.6% of total water production.

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

The Council Bluffs Water Works provided 47,213,902 gallons of water to the City free of charge, having a value of \$95,497.12. Also, on the behalf of the City, the Council Bluffs Water Works collected \$5,086,730.65 in sewer use fees.



### TOP TEN CUSTOMERS

<u>2009 Rank</u>		<u>2008 Rank</u>
1.	Con Agra Frozen Foods	1
2.	MidAmerican Energy Co.	2
3.	Bunge Corporation	4
4.	Griffin Pipe Products	3
5.	Tyson Foods	5
6.	Plumrose USA, Inc.	6
7.	City of Council Bluffs (City Hall)	Unranked
8.	Regional Water	8
9.	Iowa Western Community College	Unranked
10.	Bluffs Acres	Unranked

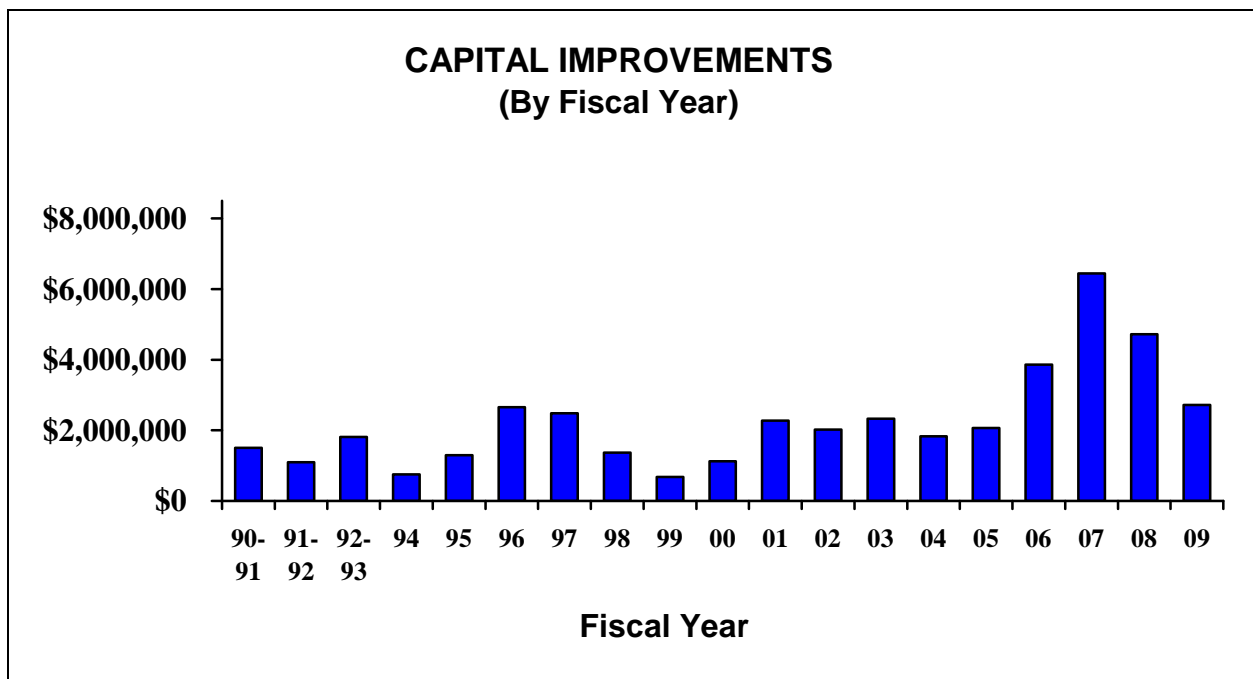
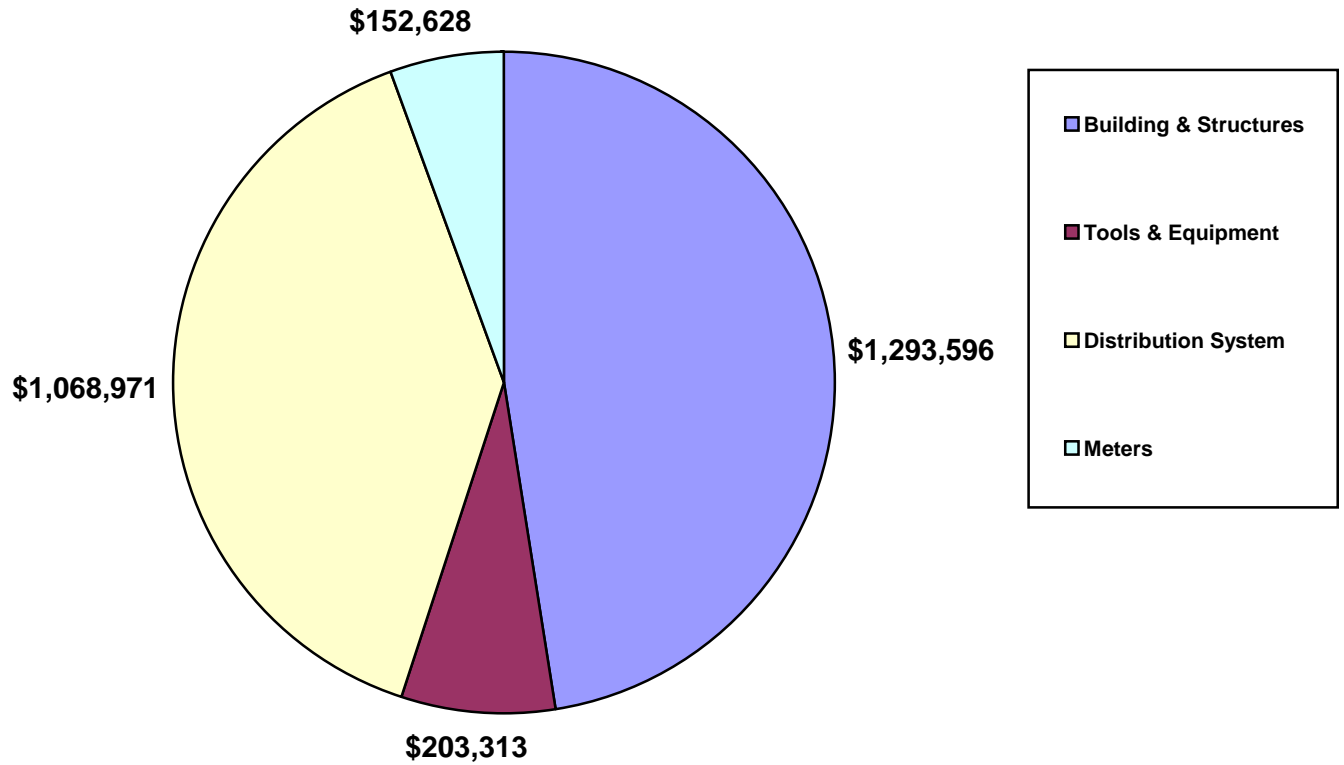
The Council Bluffs Water Works has 294.7 miles of water mains consisting of:

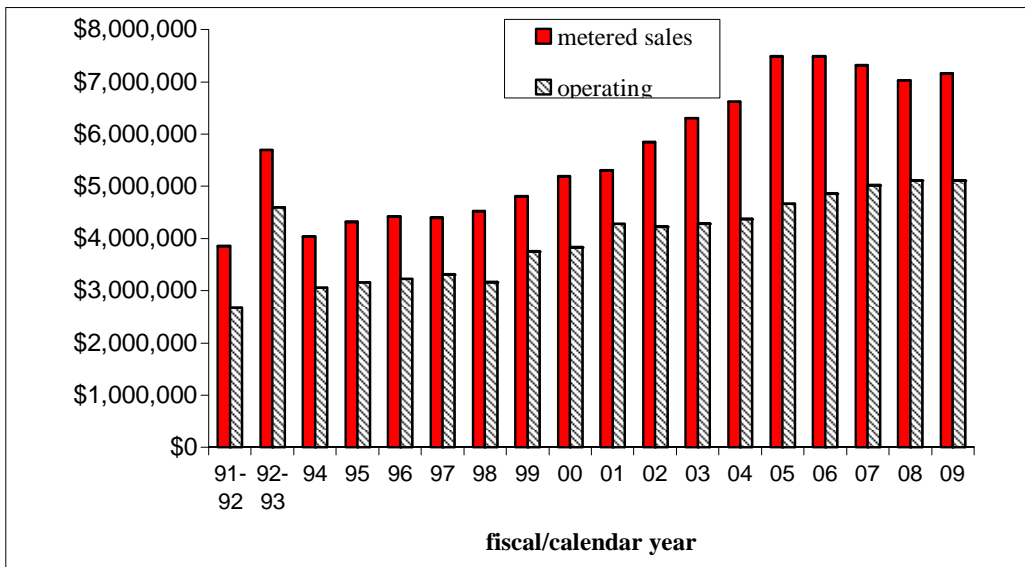
1-inch main	3,192	feet
1 ¼ inch main	310	feet
2-inch main	1,057	feet
4-inch main	53,166	feet
6-inch main	613,175	feet
8-inch main	309,189	feet
10-inch main	152,793	feet
12-inch main	213,978	feet
16-inch main	162,760	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	4,216	feet
36-inch main	8,995	feet

Number of Hydrants: 2,887

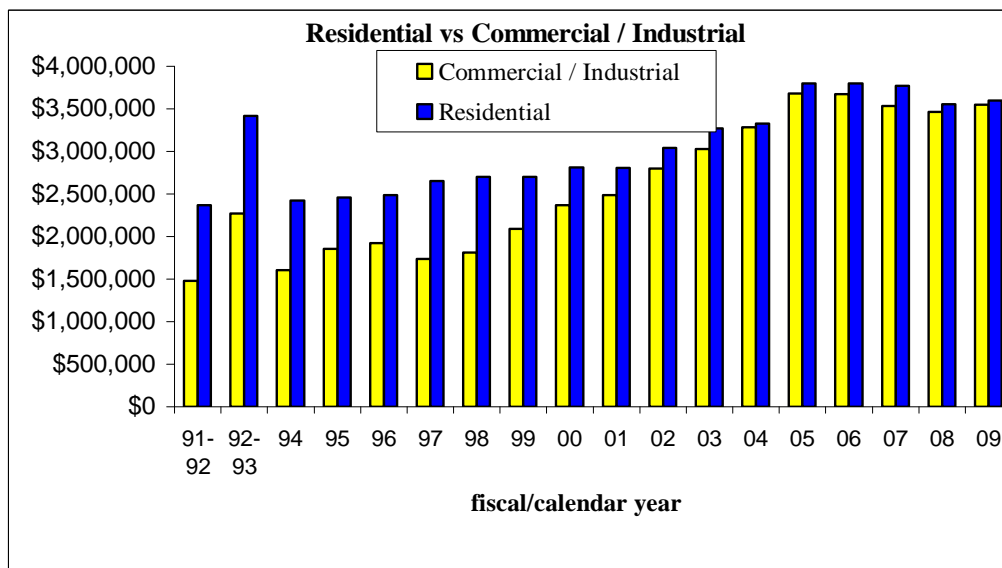
Number of Valves: 7,805

**2009 CAPITAL IMPROVEMENTS  
TOTAL \$2,718,508**





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)  
2009**

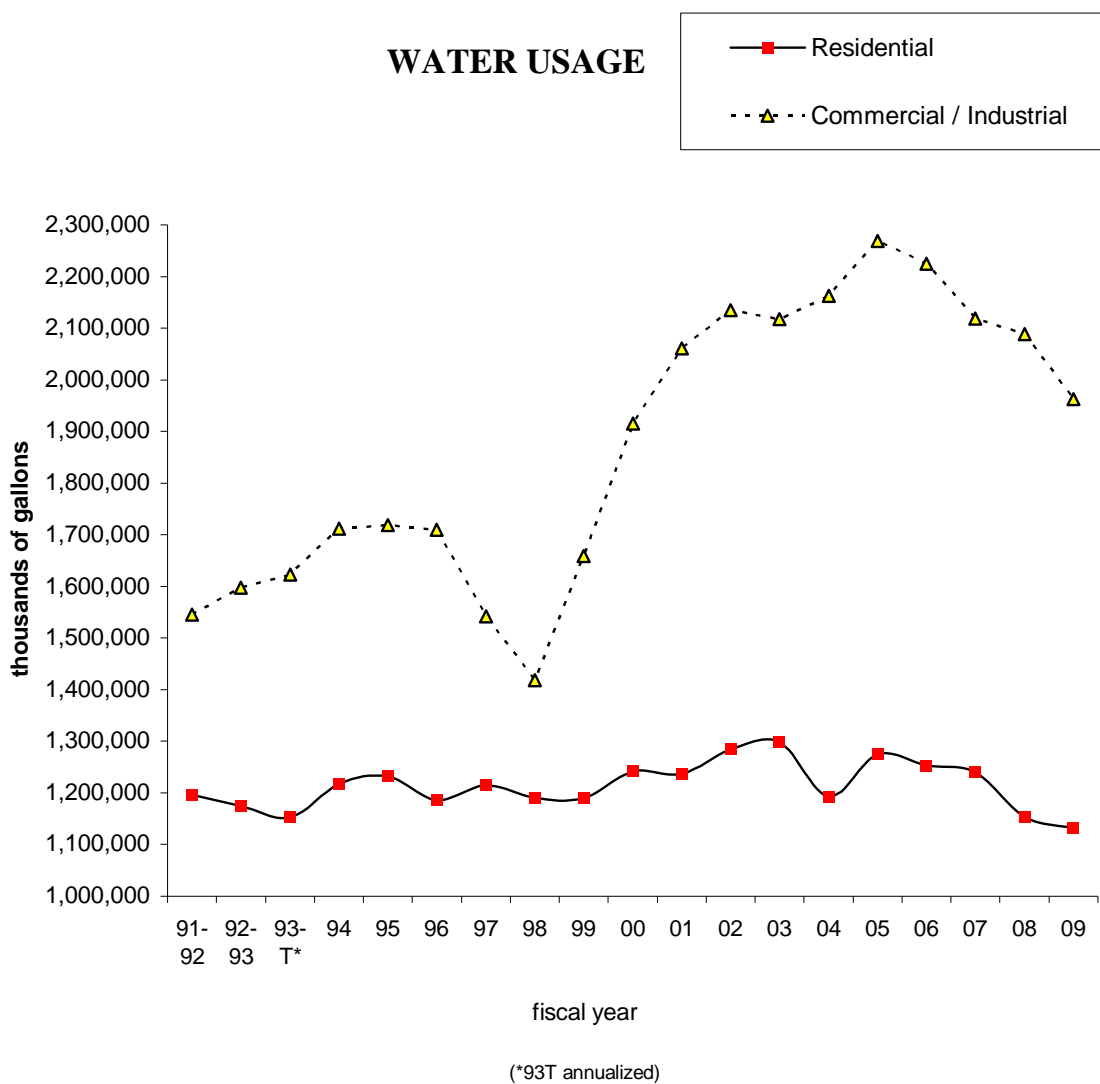
<b>MONTH</b>	<b>PUMPAGE TOTAL</b>	<b>METERED CONSUMPTION TOTAL</b>	<b>CONSUMPTION COMMERCIAL &amp; INDUSTRIAL</b>	<b>RESIDENTIAL</b>
January	285,150	245,671	154,712	90,959
February	253,280	211,340	129,608	81,732
March	283,800	219,324	138,978	80,346
April	290,190	233,221	150,821	82,400
May	338,290	258,688	169,364	89,324
June	363,920	300,589	192,142	108,447
July	387,684	328,724	223,817	104,907
August	375,430	317,608	191,767	125,841
September	327,230	290,248	187,312	102,936
October	298,479	248,844	152,755	96,089
November	265,573	223,657	137,127	86,530
December	261,695	216,367	133,729	82,638
Totals 2009	3,730,721	3,094,281	1,962,132	1,132,149
Ratio		82.9%	52.6%	30.3%
Totals 2008	3,785,876	3,241,529	2,088,394	1,153,135
Ratio		85.6%	55.2%	30.4%
Totals 1999	3,353,070	2,848,002	1,658,814	1,189,188
Ratio		84.9%	49.5%	35.4%

**COUNCIL BLUFFS WATER WORKS  
METERED SALES (\$)  
2009**

<b>MONTH</b>	<b>TOTAL</b>	<b>COMMERCIAL &amp; INDUSTRIAL</b>	<b>RESIDENTIAL</b>
January	565,406	280,813	284,593
February	498,277	235,953	262,324
March	519,539	253,989	265,550
April	532,128	261,767	270,361
May	593,502	307,361	286,141
June	683,771	343,548	340,223
July	728,216	399,691	328,525
August	730,023	345,887	384,136
September	663,583	340,626	322,957
October	586,240	279,028	307,212
November	531,943	252,541	279,402
December	515,403	246,342	269,061
Totals 2009	7,148,031	3,547,546	3,600,485
Ratio		49.6%	50.4%
Totals 2008	7,020,627	3,462,342	3,558,285
Ratio		49.3%	50.7%
Totals 1999	4,796,478	2,093,488	2,702,990
Ratio		43.6%	56.4%

## 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 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.

## ***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

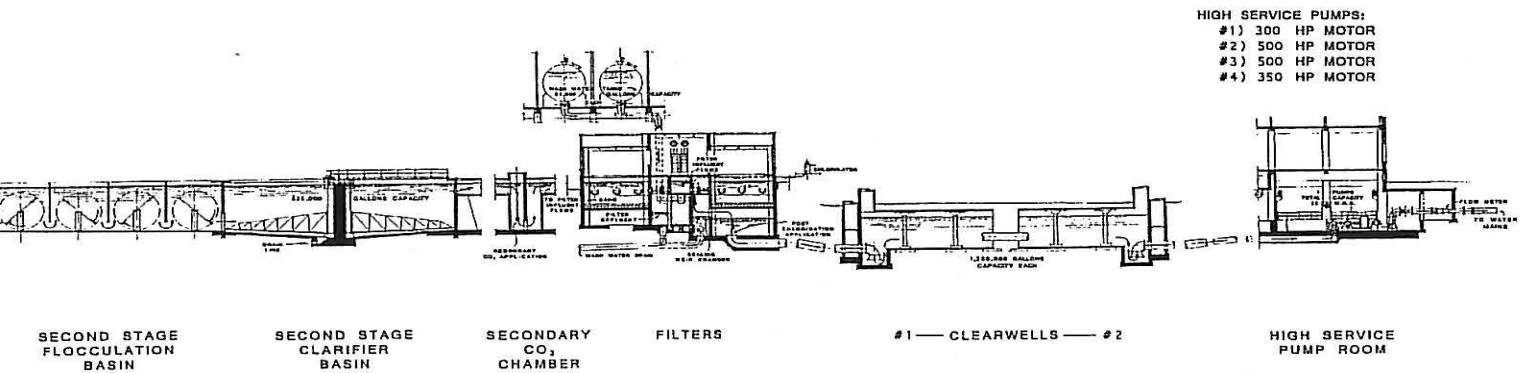
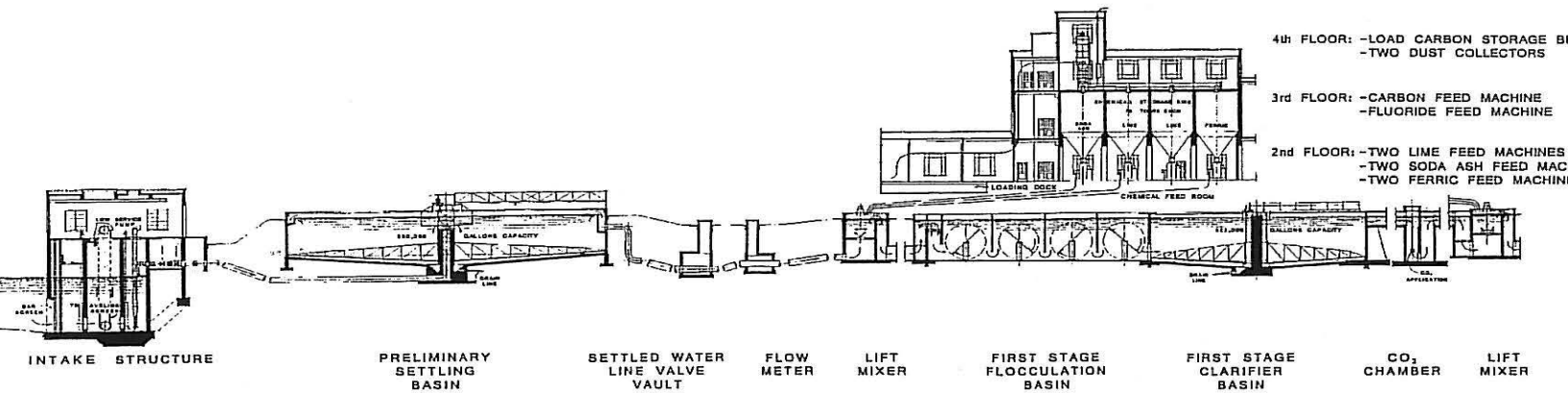
is served by three 2 million gallon reservoirs and one 3 million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the city.

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 25<sup>th</sup> Street.

# WATER TREATMENT PROCESS



# **FINANCIAL STATEMENT**

COUNCIL BLUFFS CITY WATER WORKS  
FINANCIAL STATEMENTS AND SCHEDULE  
DECEMBER 31, 2009 and 2008  
(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

We have audited the accompanying balance sheets of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of December 31, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control over financial reporting. Accordingly, we express no such opinion. 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, 2009 and 2008, 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 16, 2010 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 16, 2010

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS Calendar Year Ending December 31, 2009 (Audited)**

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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, 2009. We encourage readers to consider this information in conjunction with our financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- ♦ The Water Works' operating revenues decreased 0.23%, or \$17,622, from calendar year 2008 to 2009.
- ♦ The Water Works' operating expenses increased by 1.5%, or \$112,755, more in calendar year 2008 to 2009.
- ♦ The Water Works' fund equity increased 0.85% or \$335,908, from December 31, 2008 to December 31, 2009.

### **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

### Balance Sheets

The balance sheets present the assets, liabilities, and fund equity 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 balance sheets include year-end information concerning current assets and liabilities, and fund equity (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' fund equity 78.7% 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 19.4% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Balance Sheets December 31, 2009 and 2008		
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 8,901,556	\$ 8,758,918
Restricted Assets	1,576,734	1,491,483
Capital Assets	<u>41,186,349</u>	<u>40,669,175</u>
Total Assets	<u>\$51,664,639</u>	<u>\$50,919,576</u>
Current Liabilities (payable from current assets)	\$1,889,683	\$2,006,666
Current Liabilities (payable from restricted assets)	818,918	761,780
Revenue bonds payable	<u>8,943,258</u>	<u>8,474,258</u>
Total Liabilities	<u>\$11,651,859</u>	<u>\$11,242,704</u>
Net Assets:		
Invested in capital assets, net of related debt	\$31,508,091	\$31,489,917
Restricted	757,816	729,703
Unrestricted	<u>7,746,873</u>	<u>7,457,252</u>
Total Net asset	<u>\$40,012,780</u>	<u>\$39,676,872</u>

### Statement of Revenues and Expenses

Changes in total fund equity as presented on the statement of fund equity are based on the activity presented in the statement of revenues and expenses. 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 and expense for the years ending December 31, 2009 and 2008 is presented below:

<u>Statements of Revenues and Expenses</u>		
	<u>2009</u>	<u>2008</u>
Operating revenues:		
Metered water sales	\$ 7,104,303	\$ 7,036,788
Rental	101,063	81,115
Other	<u>572,171</u>	<u>677,256</u>
Total operating revenues	<u>\$ 7,777,537</u>	<u>\$ 7,795,159</u>
Operating expenses:		
Facilities and maintenance	\$ 670,197	\$ 725,442
Inventory adjustment	(15,458)	89,421
Purification	1,074,492	1,098,354
Transmission and distribution	1,093,035	1,101,710
Consumer accounting and meter division	387,871	376,617
Administration and general	1,629,508	1,532,792
Pension and social security	282,050	274,430
Depreciation	<u>2,677,210</u>	<u>2,487,384</u>
Total operating expenses	<u>\$ 7,798,905</u>	<u>\$ 7,686,150</u>
Non-operating revenues (expenses):		
Interest on investments	\$ 163,374	\$ 217,041
Interest expense	(326,980)	(254,884)
Loss on disposal of equipment	<u>( 6,313)</u>	<u>(23,125)</u>
Non-operating revenues, net	<u>\$ (169,919)</u>	<u>\$ (60,968)</u>
Excess of expenses over revenues	<u>\$ (191,287)</u>	<u>\$ 48,041</u>

The Statement of Revenues and Expenses reflects a negative year. However with the contributions from other governments and developers there was an increase in the fund equity at the end of the calendar year.

The Board of Trustees has approved rate increases of 8% for 2010 and 2011 to improve the revenues to a positive change in revenues over expenses.

In calendar year 2009, operating revenues decreased by \$17,622 or 0.23%, 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, 2009, the Water Works had \$74,642,484 invested in capital assets, net of accumulated depreciation of \$33,633,952. Depreciation expense totaled \$2,677,210 for calendar year 2009. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At December 31, 2009, the Water Works had \$9,678,258 debt outstanding. See note 6 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.

- ◆ 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 25<sup>th</sup> Street, P O Box 309, Council Bluffs, Iowa 51502.



## COUNCIL BLUFFS CITY WATER WORKS

BALANCE SHEETS  
December 31, 2009 and 2008

ASSETS	2009	2008
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 6,510,514	\$ 5,001,280
Short-term investments (Note 2)	379,000	1,539,000
Inventory	598,290	711,643
Receivables:		
Consumer accounts, net of allowance for doubtful accounts of \$1,000 in 2009 and \$1,000 in 2008	1,045,387	1,057,853
Unbilled revenues	276,641	325,502
Accrued interest	1,807	10,372
Total receivables	\$ 1,323,835	\$ 1,393,727
Prepaid insurance	89,917	113,268
Restricted assets (Note 3)	1,576,734	1,491,483
Total current assets	\$ 10,478,290	\$ 10,250,401
Property, plant and equipment, net (Note 4)	41,008,532	40,474,675
Capitalized Costs, net (Note 5)	177,817	194,500
	<u>\$ 51,664,639</u>	<u>\$ 50,919,576</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities (payable from current assets):		
Accounts payable	\$ 396,055	\$ 483,677
Salaries payable	27,358	28,950
Accrued compensated absences	171,184	162,534
Accrued interest payable	24,477	24,092
Due to City of Council Bluffs	535,609	602,413
Current portion of long term debt (Note 6)	735,000	705,000
Total current liabilities (payable from current assets)	\$ 1,889,683	\$ 2,006,666
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 588,380	\$ 577,195
Main extension escrow deposit	58,259	34,198
Accrued interest on consumer deposits	172,279	150,387
Total current liabilities (payable from restricted assets)	\$ 818,918	\$ 761,780
Long term debt (Note 6)	\$ 8,943,258	\$ 8,474,258
Total liabilities	\$ 11,651,859	\$ 11,242,704
<b>FUND EQUITY</b>		
Contributed capital:		
Other governments	\$ 1,497,307	\$ 1,566,902
Customers and developers	7,674,180	7,801,949
Total contributed capital	\$ 9,171,487	\$ 9,368,851
Retained earnings	30,841,293	30,308,021
Total fund equity	\$ 40,012,780	\$ 39,676,872
	<u>\$ 51,664,639</u>	<u>\$ 50,919,576</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS  
STATEMENTS OF REVENUES AND EXPENSES  
Years Ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Metered water sales	\$ 7,104,303	\$ 7,036,788
Rental	101,063	81,115
Other	<u>572,171</u>	<u>677,256</u>
Total operating revenues	<u>\$ 7,777,537</u>	<u>\$ 7,795,159</u>
Operating expenses:		
Facilities and maintenance	\$ 670,197	\$ 725,442
Inventory adjustment	(15,458)	89,421
Purification	1,074,492	1,098,354
Distribution and meter	1,093,035	1,101,710
Customer accounting	387,871	376,617
Administration and general	1,629,508	1,532,792
Pension and social security	282,050	274,430
Depreciation and amortization	<u>2,677,210</u>	<u>2,487,384</u>
Total operating expenses	<u>\$ 7,798,905</u>	<u>\$ 7,686,150</u>
Operating income	<u>\$ (21,368)</u>	<u>\$ 109,009</u>
Nonoperating revenues (expenses):		
Interest on investments	\$ 163,374	\$ 217,041
Interest expense	(326,980)	(254,884)
Loss on disposal of equipment	<u>(6,313)</u>	<u>(23,125)</u>
Nonoperating revenues, net	<u>\$ (169,919)</u>	<u>\$ (60,968)</u>
Excess of revenues over expenses/(expenses over revenues)	<u><u>\$ (191,287)</u></u>	<u><u>\$ 48,041</u></u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF FUND EQUITY  
Years Ended December 31, 2009 and 2008

	Contributed Capital			Retained Earnings	Total Fund Equity
	Other Governments	Customers and Developers	Total		
Balances at January 1, 2008	\$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	\$1,566,902	\$ 7,801,949	\$ 9,368,851	\$30,308,021	\$39,676,872
Excess of expenses over revenues				(191,287)	(191,287)
Contributions-in-aid of construction	59,925	467,270	527,195	-	527,195
Transfers – Depreciation of contributed property, plant and equipment	<u>(129,520)</u>	<u>(595,039)</u>	<u>(724,559)</u>	<u>724,559</u>	<u>-</u>
Balances at December 31, 2009	<u>\$1,497,307</u>	<u>\$ 7,674,180</u>	<u>\$ 9,171,487</u>	<u>\$30,841,293</u>	<u>\$40,012,780</u>

See Notes to Financial Statements.



# COUNCIL BLUFFS CITY WATER WORKS

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 7,165,630	\$ 7,114,649
Cash received from other revenues	673,234	758,371
Cash paid to suppliers for goods and services	(2,652,257)	(2,711,138)
Cash paid to employees and on their behalf	(2,402,112)	(2,419,650)
(Payments) receipts for City sewer services net of collections	(66,804)	57,558
Net cash provided by operating activities:	<u>\$ 2,717,691</u>	<u>\$ 2,799,790</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payment of revenue bonds	\$ (705,000)	\$ (680,000)
Revenue bonds issued	1,204,000	4,059,258
Loan fees, net of bond amortization	-	(103,530)
Interest paid on revenue bonds	(288,682)	(220,583)
Interest paid on consumer deposits	(16,021)	(15,947)
Additions to property, plant, and equipment	(3,200,697)	(6,244,434)
Main extension escrow deposits	24,061	(195,297)
Contributions-in-aid of construction	527,195	1,058,656
Net cash (used in) capital and related financing activities	<u>\$ (2,455,144)</u>	<u>\$ (2,341,877)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net sales of investments	\$ 1,270,000	\$ -
Interest received on investments	177,477	232,149
Net cash provided by investing activities	<u>\$ 1,447,477</u>	<u>\$ 232,149</u>
Net increase in cash	\$ 1,710,024	\$ 690,062
Cash at beginning of year	<u>5,565,248</u>	<u>4,875,186</u>
Cash at end of year	<u><u>\$ 7,275,272</u></u>	<u><u>\$ 5,565,248</u></u>
Reconciliation to balance sheets:		
Cash	\$ 6,510,514	\$ 5,001,280
Cash included in restricted assets	<u>764,758</u>	<u>563,968</u>
	<u><u>\$ 7,275,272</u></u>	<u><u>\$ 5,565,248</u></u>

See Notes to Financial Statements.

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2009 and 2008

#### 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, 2009 and 2008

#### 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 date 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.

##### Subsequent Events

Subsequent events have been evaluated through March 16, 2010, 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, 2009 and 2008

### 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, 2009 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, 2009, deposits consisted of the following:

Book Balance	Bank Balance	Category		
		1	2	3
<u>\$ 7,275,272</u>	<u>\$ 7,530,118</u>	<u>\$ 250,000</u>	<u>\$ 7,280,118</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, 2009 consisted of the following:

	Category			Carrying amount	Market value
	1	2	3		
Investments	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 1,187,500</u>	\$ 1,187,500	<u>\$ 1,187,500</u>
Deposits				<u>7,275,272</u>	
				\$ 8,462,772	
Restricted assets (excluding accrued interest)				<u>1,573,258</u>	
				<u>\$ 6,889,514</u>	

# COUNCIL BLUFFS CITY WATER WORKS

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2009 and 2008

### 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, 2009 and 2008 are as follows:

	2009	2008
Consumer deposit fund cash	\$ 642,784	\$ 479,005
Sinking fund cash	121,974	84,963
Consumer deposit fund investments	100,000	210,000
Reserve fund investments	708,500	708,500
Accrued interest	<u>3,476</u>	<u>9,015</u>
	<u>\$ 1,576,734</u>	<u>\$ 1,491,483</u>

### Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2009 and 2008 consists of the following:

Description	Useful life in years	2009	2008
Land	-	\$ 2,158,072	\$ 378,608
Buildings and structures	20-40	13,194,979	13,171,573
Water distribution system	20-40	45,413,215	43,970,279
Meters	25-40	1,152,718	957,220
Tools and equipment	3-20	6,658,617	5,855,720
Automobiles and trucks	5	1,345,830	1,345,830
Office equipment	15	104,985	104,985
Work in progress		<u>4,614,068</u>	<u>5,678,766</u>
		\$ 74,642,484	\$ 71,462,981
Less accumulated depreciation		<u>(33,633,952)</u>	<u>(30,988,306)</u>
		<u>\$ 41,008,532</u>	<u>\$ 40,474,675</u>

As of December 31, 2009 the Water Works had contractual commitments of approximately \$22,515,135 for various construction projects of which \$277,282 has been completed. Included in the contractual commitments is \$22.1 million for the construction of a new water treatment facility, which is expected to be complete in May 2012. Funding for the water treatment facility will be through Water Revenue bonds as described in Note 6.

# COUNCIL BLUFFS CITY WATER WORKS

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2009 and 2008

### 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:

		2009	2008
Water Revenue Refunding, Series 2004			
Financing costs	81 months	\$ 44,899	\$ 44,899
Less accumulated amortization		<u>(38,247)</u>	<u>(31,595)</u>
Capitalized costs, net		<u>\$ 6,652</u>	<u>\$ 13,304</u>
Water Revenue Bonds, Series 2005			
Financing costs	180 months	\$ 53,740	\$ 53,740
Bond Premium		(7,651)	(7,651)
Less accumulated amortization		<u>(9,274)</u>	<u>(7,500)</u>
Capitalized costs, net		<u>\$ 36,815</u>	<u>\$ 38,589</u>
Water Revenue Bonds, Series 2006			
Financing costs	180 months	\$ 16,626	\$ 16,626
Bond Discount		34,001	34,001
Less accumulated amortization		<u>(13,501)</u>	<u>(10,125)</u>
Capitalized costs, net		<u>\$ 37,126</u>	<u>\$ 40,502</u>
State Revolving Funds			
Financing costs	240 months	\$ 103,530	\$ 103,530
Less accumulated amortization		<u>(6,306)</u>	<u>(1,425)</u>
Capitalizes costs, net		<u>\$ 97,224</u>	<u>\$ 102,105</u>
Total capitalized costs, net		<u>\$ 177,817</u>	<u>\$ 194,500</u>

### Note 6. Revenue 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.

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, 2009 and 2008 the ratio was 2.55 and 2.48 respectively.

# COUNCIL BLUFFS CITY WATER WORKS

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2009 and 2008

### Note 6. Revenue Bonds (Continued)

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, 2009 and 2008.

In January 2010, the Water Works was pre-approved for \$35,353,000 in Water Revenue Bonds for construction of 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, 2009 and 2008 the Water Works had drawn down \$2,411,909 and \$1,970,578, respectively. In 2010, the Water Works plans to execute loans for the remaining \$25 million.

The Iowa Finance Authority has also issued an interim loan with balance of \$2,851,349 and \$2,088,680 at December 31, 2009 and 2008, respectively. 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, 2009 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2010	\$ 735,000	\$ 244,962	\$ 979,962
2011	685,000	295,967	980,967
2012	707,000	272,178	979,178
2013	734,000	247,633	981,633
2014	761,000	222,133	983,133
Thereafter	<u>6,056,258</u>	<u>723,512</u>	<u>6,779,770</u>
	<u>\$ 9,678,258</u>	<u>\$ 2,006,385</u>	<u>\$ 11,684,643</u>

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2009 and 2008

#### 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 4.30 percent by the employee and 6.65 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 \$245,000 and \$230,000 of compensation in calendar years 2009 and 2008 respectively. The contribution paid by the Water Works totaled \$146,234 and \$138,721 for the years ended December 31, 2009 and 2008 respectively, and the contribution paid by employees totaled \$94,507 and \$91,624, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2009 and 2008 was \$2,250,995 and \$2,288,074 respectively, and the total Water Works' payroll for 2009 and 2008 was \$2,246,413 and \$2,301,224, respectively. The Water Works' employer and employee contributions during the years ended December 31, 2009 and 2008 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, 2009 and 2008

#### 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, 2009 and 2008 was \$15,056 and \$ 6,089, respectively.

COUNCIL BLUFFS CITY WATER WORKS

Comparison of Cash Basis – Actual with Cash Basis - Budget  
Year ended December 31, 2009

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Non-program	
Enterprise – general (revenues)	<u>\$ 9,238,864</u>	<u>\$ 5,086,731</u>	<u>\$ 20,751,400</u>
Enterprise – general (expenses)	<u>\$ 9,395,621</u>		<u>\$ 20,683,800</u>

Year ended December 31, 2008

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Non-program	
Enterprise – general (revenues)	<u>\$ 11,961,996</u>	<u>\$ 5,151,892</u>	<u>\$ 8,898,400</u>
Enterprise – general (expenses)	<u>\$ 12,315,778</u>		<u>\$ 16,926,183</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, 2009

	2009 Actual	2009 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 7,104,303	\$ 7,840,000	\$ (735,697)
Rental	101,063	88,000	13,063
Other	572,171	508,400	63,771
Total operating revenues	<u>\$ 7,777,537</u>	<u>\$ 8,436,400</u>	<u>\$ (658,863)</u>
Operating expenses:			
Facilities and maintenance	\$ 670,197	\$ 792,600	\$ 122,403
Inventory adjustment	(15,458)	(10,000)	5,458
Purification	1,074,492	1,176,600	102,108
Distribution and meter	1,093,035	1,135,500	42,465
Customer accounting	387,871	432,200	44,329
Administration and general	1,629,508	1,624,900	(4,608)
Pension and social security	282,050	285,000	2,950
Total operating expenses	<u>\$ 5,121,695</u>	<u>\$ 5,436,800</u>	<u>\$ 315,105</u>
Operating income	<u>\$ 2,655,842</u>	<u>\$ 2,999,600</u>	<u>\$ (343,758)</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 163,374	\$ 260,000	\$ (96,626)
Interest expense	(326,980)	(617,000)	290,020
Loss on disposal of equipment	(6,313)	(15,000)	8,687
Nonoperating revenues, net	<u>\$ (169,919)</u>	<u>\$ (372,000)</u>	<u>\$ 202,081</u>
Change in net assets before depreciation	\$ 2,485,923	<u>\$ 2,627,600</u>	<u>\$ (141,677)</u>
Depreciation	(2,677,210)		
Contributions in aid of construction	527,195		
	<u>\$ 335,908</u>		
Total net assets beginning	<u>39,676,872</u>		
Total net assets ending	<u>\$ 40,012,780</u>		