

**2010**



# **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

On May 5, 2010 the Board of Water Works Trustees of the City of Council Bluffs, Iowa, the Mayor of Council Bluffs, Water Works Staff, representatives of HDR, Inc. and Foley Company officially broke ground for construction of the new Council Point Water Purification Plant. This event marked the beginning of the final phase of a multi-year process that will secure the water supply future of our community.

This project involves the development of an entirely new source of water supply, groundwater wells, treatment plant, pump station and storage reservoir. Initially the facility will have a production capacity of 5 million gallons per day, while it is structurally designed for a total production capacity of 10 million gallons per day with the installation of additional equipment. This will allow us to meet water supply needs well into the future, as our customer base and community grows.

Not only is this facility entirely new, the treatment process employed is "state of the art" membrane technology. Membrane technology produces water of an exceptionally high quality. This high tech facility is automated to the extent possible and allows us to minimize the additional staffing needed to operate the plant. This new treatment plant will augment the existing Narrows Water Purification Plant on N. 25<sup>th</sup> Street and strengthen the reliability of our water system.

Construction of the new Council Point Water Purification Plant will continue through 2011 and completed in 2012, sixty years after the Narrows Plant went into service. With this major addition to our system the Board continues to fulfill its obligation of providing our customers a high quality drinking water supply to meet the public health, fire protection and economic development needs of our customers.

The Board of Water Works Trustees and Water Works employees are committed to providing you with a safe, dependable and affordable supply of drinking water. Please read this report that details the accomplishments and challenges 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



# COUNCIL POINT WATER PURIFICATION PLANT

**HDR**

ONE COMPANY | Many Solutions™

**2010  
RATE SCHEDULE**

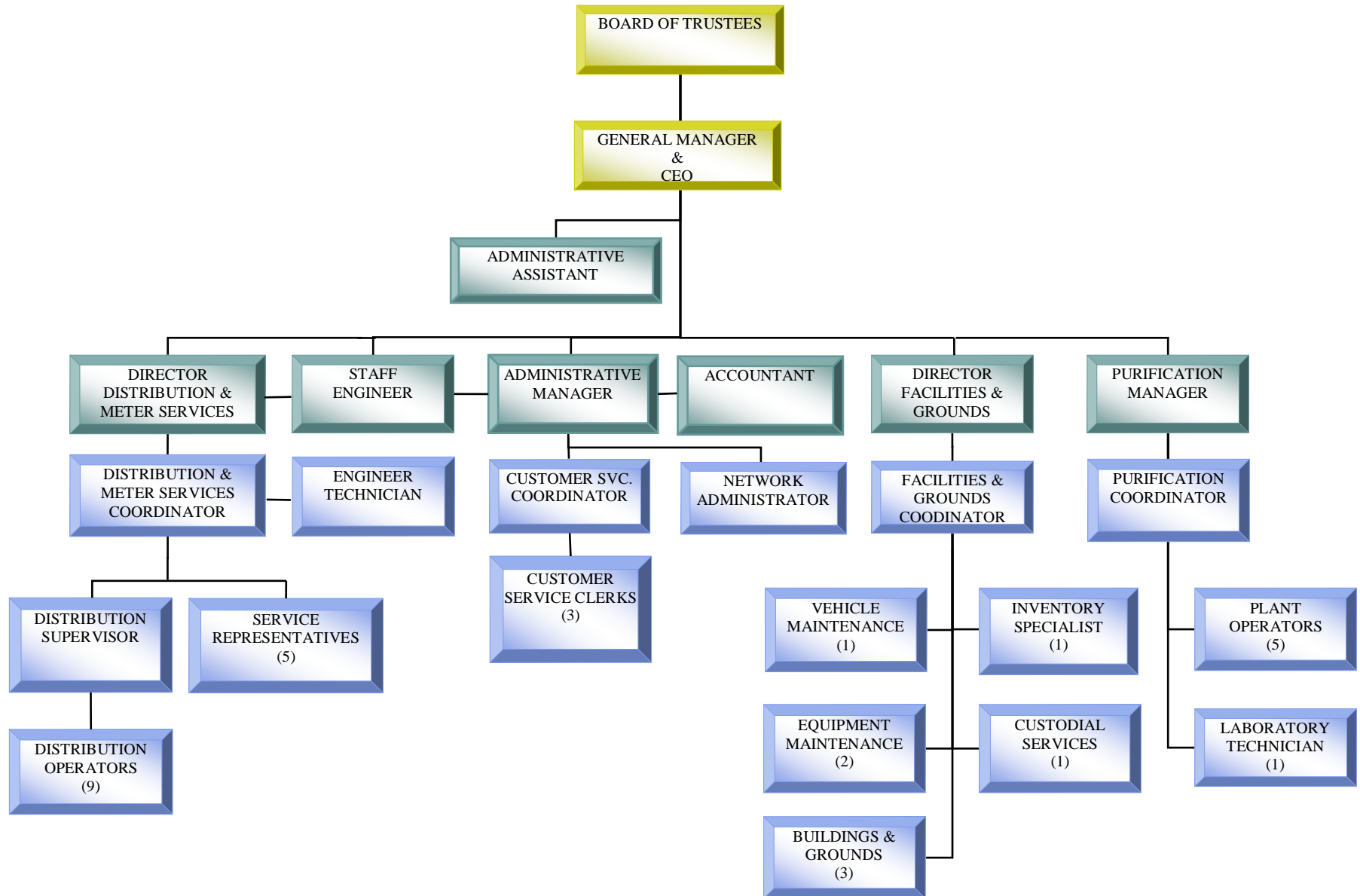
Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 1,500 Cubic Feet	\$2.41	\$3.62
Next 28,500 Cubic Feet	\$1.76	\$2.64
Next 1,970,000 Cubic Feet	\$1.10	\$1.64
Over 2,000,000 Cubic Feet	\$0.68	\$1.03

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 3,000 Cubic Feet	\$2.41	\$3.62
Next 57,000 Cubic Feet	\$1.76	\$2.64
Next 3,940,000 Cubic Feet	\$1.10	\$1.64
Over 4,000,000 Cubic Feet	\$0.68	\$1.03

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, 2015
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, 2016

### *STAFF*

General Manager and CEO:	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
	Rodney A. Scott	Iowa Grade IV Operator
	Gregory G. Reese	Iowa Grade III Operator
	Timothy C. Parker	Iowa Grade III Operator
	Benjamin E. Brandes	Iowa Grade II Operator
	Joseph S. Rhoades	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:	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
	Brian E. Andersen	
	Edwin C. Kuhl	
	Michael J. Tornblom	
Meter Personnel:	David A. McLean	
	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	
	Chad M. Springer	



**FACILITIES & GROUNDS DEPARTMENT**

Director: Ronnie G. Kopaska

Coordinator: Raymond P. Stevens Iowa Grade II Operator

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**

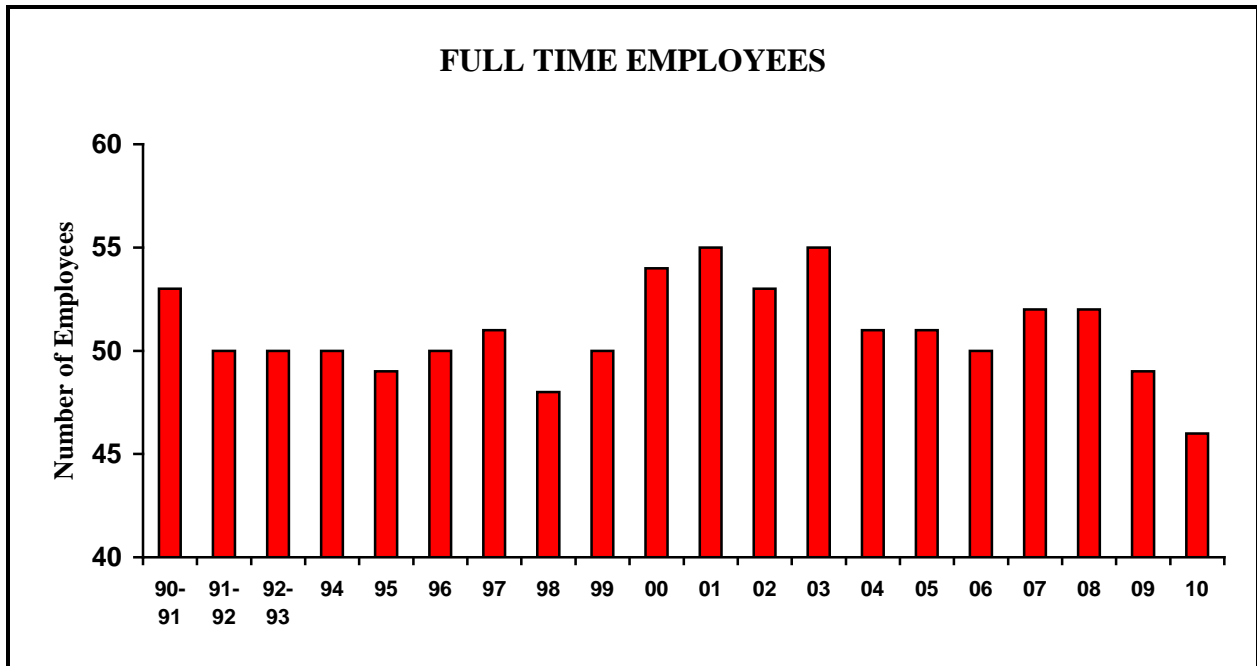
Administrative Manager: Karen A. Wisniski

Systems Administrator: Bruce M. Riegel

Coordinator: Joseph E. Lenihan

Staff Engineer: Rex J. Anthony Iowa Grade IV Operator

Personnel: Travis P. Anderson  
Lisa A. Hammer  
Kristin N. Nelson  
Loni N. Neve



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

**PURIFICATION DEPARTMENT**

In 2010, the Council Bluffs Water Works Narrows Treatment Plant delivered 3,713,399,000 gallons of potable water to its customers. Our average daily pumpage was 10,174,000 gallons with a maximum of 15,180,000 gallons on August 11, 2010. Above average rainfall during the spring and summer led to below normal water usage for 2010.

The Purification Department saw many changes in personnel in 2010. John Elliott, Purification Manager, and Greg Reese, Laboratory Technician both retired. John Elliott had been the department manager since 1998 and Greg Reese had worked in the department for 39 years. John Meads, an Iowa Grade 1V Certified Operator, was promoted to head the department and Benjamin Brandes, an Iowa Grade II Operator was appointed to the Lab Technician position. To fill the open Plant Operator position Joseph Rhoades transferred from the Distribution Department.

Filling open operator positions is becoming increasingly difficult due to the shrinking pool of certified operators in the state and the stringent experience and education requirements of the state certification program. More systems will be forced to hire a trainee with no certification and develop and train them until they have acquired enough “education” and “experience” to be eligible to take the state certification exams.

The Council Bluffs Water Works completed its tri annual round of Lead and Copper testing in 2010. The 90<sup>th</sup> percentile for lead was 0.003 mg/L and the 90<sup>th</sup> percentile for copper was 0.10 mg/L well below the action levels of 0.015 mg/L and 1.3 mg/L for lead and copper respectively. Customers who participated in this round of testing have received the analytical results for their locations. Elevated levels of lead and copper in drinking water pose serious health concerns, especially for pregnant women and young children. Lead and Copper testing is done once every three years and plays a very important role in assuring the public that we supply a safe and quality product.

The Army Corp of Engineers announced that runoff in 2010 totaled 38.8 million acre feet (MAF), the third highest in 113 years. The high runoff resulted in increased energy production from the six main stem power plants. Storage peaked in the Missouri Main stem system of reservoirs at 65.9 million acre feet on July 23, 2010. The high runoff in 2010 caused many challenges for the Purification Department. Water treatment chemical budgets swelled throughout 2010. Typical seasonal runoffs last a month or so, while 2010 the runoff lasted a good portion of the year, which required more chemicals to treat because of poor source water quality. Even with the poor source water quality the Purification Department continued to produce a high quality drinking water meeting all federal and state drinking water standards.

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

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
Lime	2,355.0	\$339,094
Soda Ash	308.8	95,727
Ferric Sulfate	189.1	73,746
Liquid Chlorine	90.9	68,136
Sodium Silicofluoride	18.7	20,544
Polymer	12.9	14,198
Anhydrous Ammonia	10.8	15,491
Sodium Chlorite	9.5	11,736
Powder Activated Carbon	9.2	12,176
Sodium Hexametaphosphate	6.5	15,401
Potassium Permanganate	3.1	13,614
Total Water Treatment Chemical Cost		\$679,863

## ***DISTRIBUTION DEPARTMENT***

The Distribution Department is responsible for the maintenance and operation of all underground facilities in the water distribution system and fire hydrants, including nearly 300 miles of water main, 7,838 valves and 2,892 fire hydrants. The departments responds to emergency call outs 24/7 under all weather conditions to repair water main breaks and restore water service to Water Works customers in a timely manner.

In 2010, the Distribution Department continued with the leak survey of our entire system, maintained all fire hydrants and painted 358 hydrants as part of our annual program. Additionally, our personnel responded to 475 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 2,754 square yards of PCC paving. 43 square yards of asphalt overlay was installed by agreement with the Public Works Department.

This year the department:

- Made 111 small taps, and 20 purification taps
- Checked 344 service leaks
- Turned on/off 109 services
- Repaired 54 service lines and 139 curb boxes
- Replaced 28 services from the main to stop box
- 14 services were moved for construction by Water Works personnel
- 67 services were connected by contractors
- Killed 63 services at the main and 32 at the curb stop
- Answered 6,505 requests for service line or main location
- Turned 544 large valves, rebuilt 15, replaced 8 and added 3 new valves
- Installed 33 additional valves with Water Works mains
- Repaired 55 main leaks, moved 2 water main, killed 6 water mains and relocated 2 water mains
- Repaired 53 valve boxes
- Made 17 large taps (4 inches and above)
- Removed 13 fire hydrants from service which were obsolete, damaged or for main replacement
- 8 Hydrants were replaced by Water Works personnel
- Hydrants painted and domes color coded by an outside contractor 358
- Hydrants checked for leak survey 3,510
- Hydrant flow tested 201
- Checked 3,906 hydrants
- Repaired 247 hydrants
- Relocated 3 hydrants
- Scooped snow from 892 hydrants
- Flushed 515 hydrants
- Thawed out 8 fire hydrants

Observed installation of 5,453 feet of new mains installed by contractors.

Mains installed by size were:

- 10 feet of 4 – inch main
- 311 feet of 6 – inch main
- 8 feet of 20 – inch main

Mains installed by contractors were:

- 46 feet of 4 – inch main
- 525 feet of 6 – inch main
- 1,372 feet of 8 – inch main
- 2,678 feet of 12 – inch main
- 831 feet of 16 – inch main

## ***METER SERVICES DEPARTMENT***

The Meter Department's primary function is to read over 24,000 water meters (cash registers) on a monthly and bi-monthly basis, repair and replace meters as needed, complete disconnect and reconnect orders, collect delinquent accounts and respond to service calls requests as needed.

In 2010, the Meter Department continued to upgrade and exchange water meters. While continuing to maintain and upgrade the Water Works' 23,000 plus water meters, we placed an additional 293 radio read meters into the distribution system.

In addition to the meter exchanges this year the department:

- Replaced 131 dead meters
- Removed 44 meters for demolition
- Repaired 92 leaking meters
- Replaced 110 frozen meters
- Installed 178 touch pads
- Installed 293 radio reading devices
- Set 149 new addresses with meters
- Set 40 new addresses with large meters
- Exchanged 46 large meters
- Wired 228 new construction homes
- Monitored 513 new construction homes
- Survey 297 accounts for leaks
- Tested 34 meters in the field
- Performed 3,737 final readings
- Read 3,642 RMMS
- Researched 259 high bill orders
- Verified 22 meter readings
- 777 notes were left to read the meter
- Turned on 646 delinquent accounts for Customer Service
- 1,451 cards were left for delinquent accounts
- Pump Stations and Reservoirs were checked 145 times
- Reported 6 water main leaks
- Found 25 service leaks
- Found 38 damaged fire hydrants
- 60 meter routes were read 390 times
- There were 139,715 meter readings

## ***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, five (5) Booster Pump Stations, four (4) Ground Storage Reservoirs, five (5) Elevated Storage Tanks and the addition of the South Water Plant property and facilities now under construction. These eleven (11) locations account for approximately 200 acres of land spread throughout the City. The Buildings and Grounds crew takes pride in maintaining the appearance of all Water Work's properties.

Department personnel oversee the daily operations of the Storeroom and Warehouse. The Inventory Specialist is responsible for the purchase, storage and allocating of material and over \$600,000 of inventory and resources needed for all departments.

The department maintains the vehicle and equipment fleet of over forty (40) pieces of equipment for the organization including cars, service trucks, dump trucks, backhoes, tractors, mowers, compressors, welders, trailers, and equipment used for concrete and water main repair. One certified mechanic is responsible for maintaining the fleet.

The Meter Supervisor pickup (1996 Chevrolet full size) was replaced with a 2011 Chevrolet Colorado pickup.

The new truck is smaller and more efficient to operate.

Besides responding to day to day operations and planned maintenance, the maintenance staff also completed the following projects in 2010: High Service Pump #1 was rebuilt, the Filter Pipe Gallery had extensive pipe and concrete repair preformed, a new Underground Fuel Storage Tank inventory and leak detection system was installed, Filter #5 carbon bed was changed out, the Clarifier Basin Decking underwent a major concrete repair and painting, electrical service to Clarifier #2 was replaced due to age, and the last three (3) filters had all six (6) actuators changed out and upgraded. All eight (8) filters have been upgraded with a total of forty-eight (48) new actuators over the past three (3) years. Oak Street and Glendale Pump Stations were cleaned and repainted.

Power and fuel are essential to our operations. It took 4,959,247 kWh of electricity at a cost of \$198,498.27 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 \$14,490. We also used 17,966 gallons of lead free gasoline to fuel the Water Works vehicles at a cost of \$40,347.11 and 12,290 gallons of red diesel fuel at a cost of \$29,434.82. We used 6,217 cubic feet of natural gas at a cost of \$38,864.75.

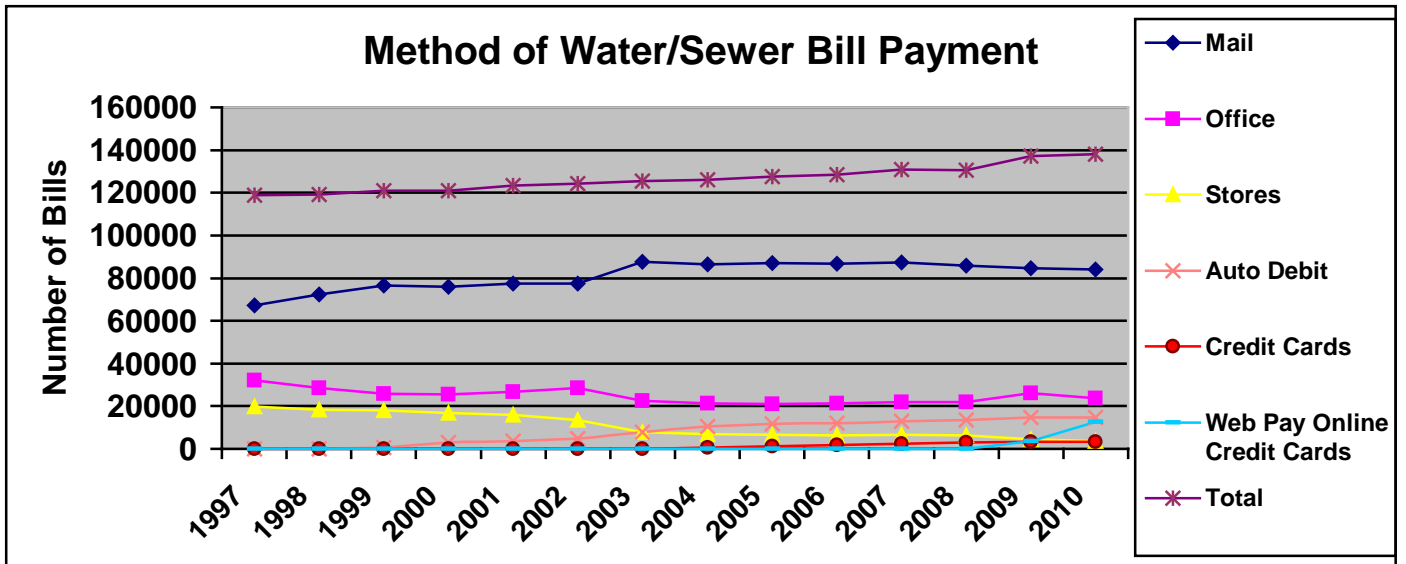
### ***CUSTOMER SERVICE & ACCOUNTING DEPARTMENT***

The customer Service Department has completed the second year of being on the Cogsdale Corporation Software and the Accounting Department finished their third year. The employees have done a very good job learning the system and how it works. As staff gains experience with the new system they continue to learn new applications that improve our customer service and accounting. Our customer service representatives do an excellent job helping the Water Works customers with their questions whether it is by the telephone or in person. If Customer Service needs to send a Service Representative to the customer's location they prepare and print off a service order for the Meter Department and process the service orders when they are completed.

In 2010, the Customer Service Department mailed out 135,411 water bills, and sent 33,048 reminder notices and 16,667 shut-off notices to customers. There were 143,915 payments processed. There were 14,732 automatic bank payments. There were 7,958 service orders processed for final readings, high bills, dead meters, or to install new meters. There were 476 meters installed or replaced. Customer Service Representative made 2,051 payment arrangements with customers. 1,141 water bills were paid on the day of shut-off and 957 services were discontinued for non-payment. There were 243 returned checks that had to be collected from customers. 3,556 service contracts were processed to transfer, reinstate or add new customers to the system.

The Council Bluffs Water Works continues to see an increase in the number of customers paying their bills on the company website. There were 3,412 credit card payments, and 12,603 online web credit card payments.

The Accounting Department processed \$13,894,502.49 in receipts and payments in 2010, including processing water and sewer bill payments and making the daily bank deposits. The Accounting Department is responsible for processing accounts payable invoices, checks, payroll, the budget fixed assets and other information for the general ledger. They also prepare monthly reports for the Board and other departments. The most recent audit found no irregularities in accounting procedures.



**GENERAL INFORMATION**

The Council Bluffs Water Works has 21,266 active service accounts: 19,470 residential; 1,796 are commercial or industrial.

Last year, total production was 3,713,399,000 gallons.

Residential customers consumed 1,120,121,024 gallons in 2010. The average residential customer used 57,531 gallons at cost of \$195.49 per year or \$16.30 per month.

Our top ten customers consumed 1,000,804,552 gallons, 27% of total production.

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

621 outside-City customers paid \$535,433.45 for 188,975,468 gallons of water.

The City of Crescent paid \$44,988.56 for 21,373,352 gallons of water.

Regional Water paid \$99,281.80 for 43,559,780 gallons of water.

In total, outside City customers paid \$679,703.81 for 253,908,600 gallons of water. This represents 8.8% of metered water sales and 7% of total water production.

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

The Council Bluffs Water Works provided 44,143,968 gallons of water to the City free of charge, having a value of \$113,139.30. Also, on behalf of the City, the Council Bluffs Water Works collected \$5,075,631.00 in sewer use fees.

**TOP TEN CUSTOMERS**

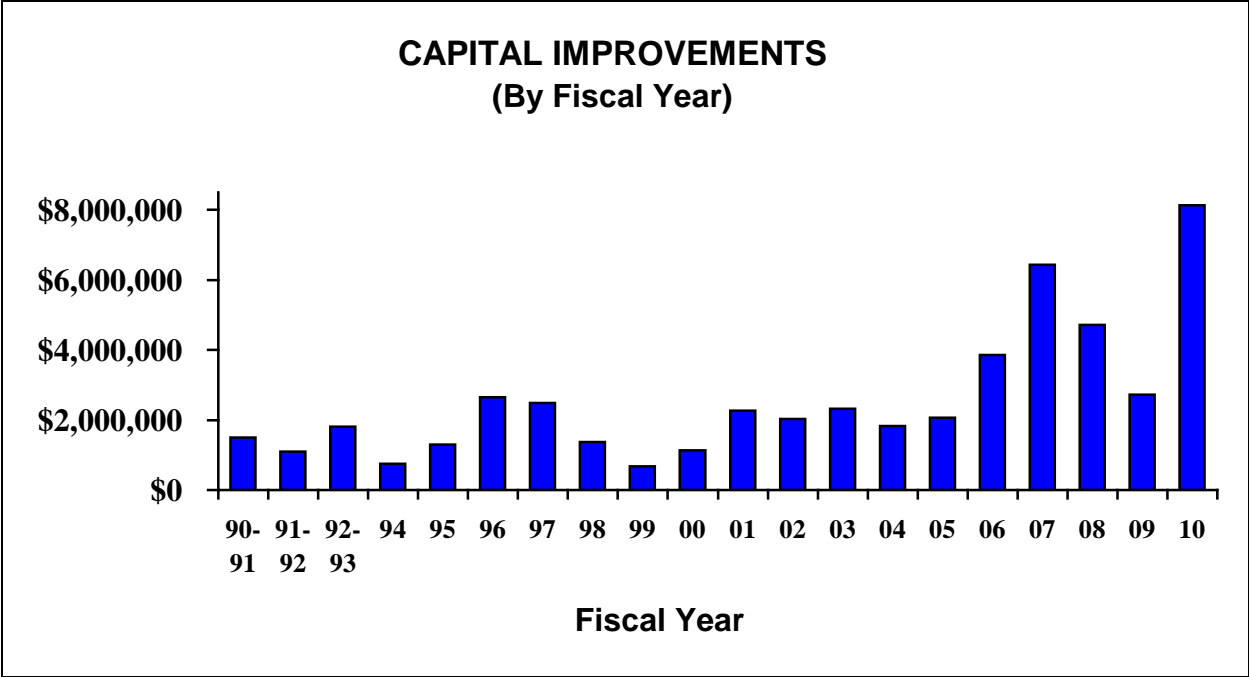
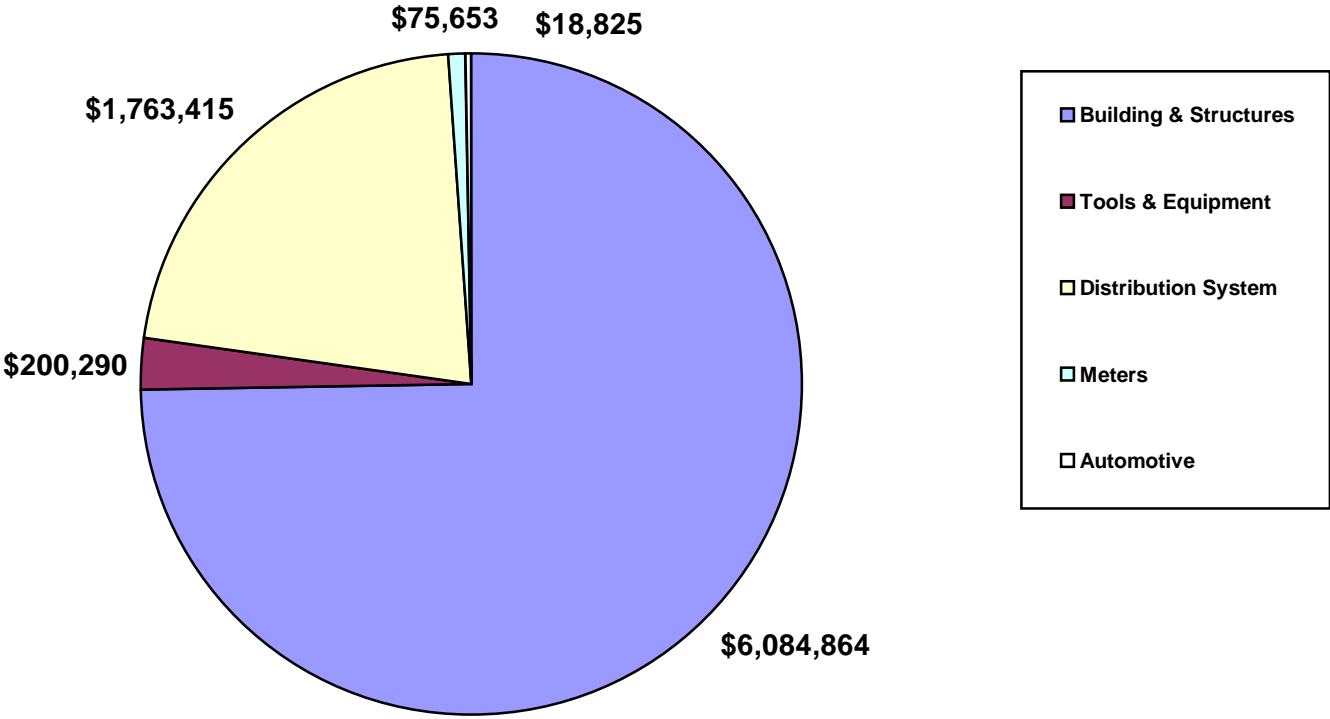
<u>2010 Rank</u>		<u>2009 Rank</u>
1.	ConAgra Frozen Foods	1
2.	Bunge Corporation	3
3.	MidAmerican Energy Co.	2
4.	Griffin Pipe Products	4
5.	Tyson Foods	5
6.	Plumrose USA, Inc.	6
7.	City of Council Bluffs (City Hall)	7
8.	Regional Water	8
9.	Iowa Western Community College	9
10.	Ameristar Casino	Unranked

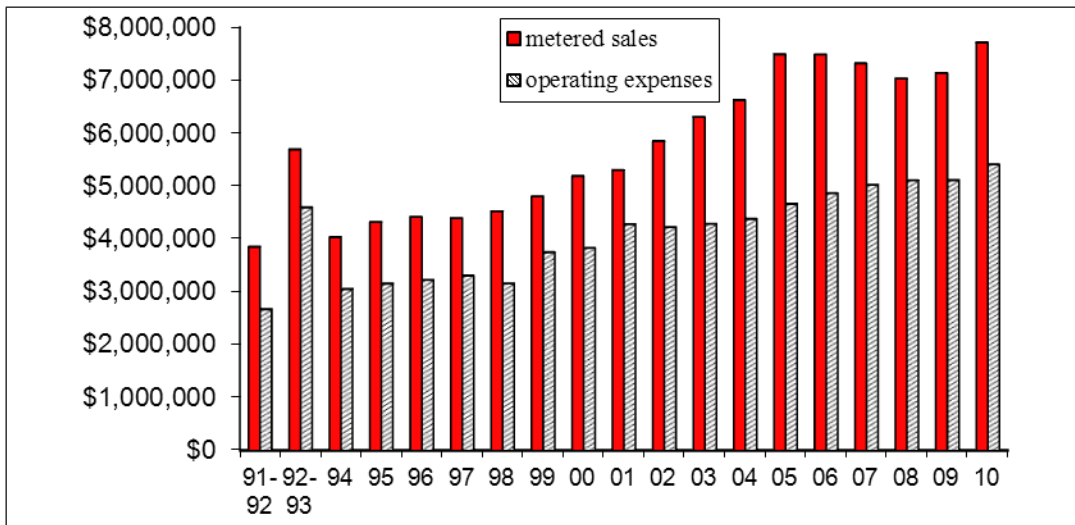
The Council Bluffs Water Works has 294.6 miles of water mains consisting of:

1-inch main	3,192	feet
1 ¼ inch main	310	feet
2-inch main	1,057	feet
4-inch main	52,885	feet
6-inch main	611,024	feet
8-inch main	310,092	feet
10-inch main	152,793	feet
12-inch main	214,206	feet
16-inch main	163,592	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:	2,892	
Number of Valves:	7,838	



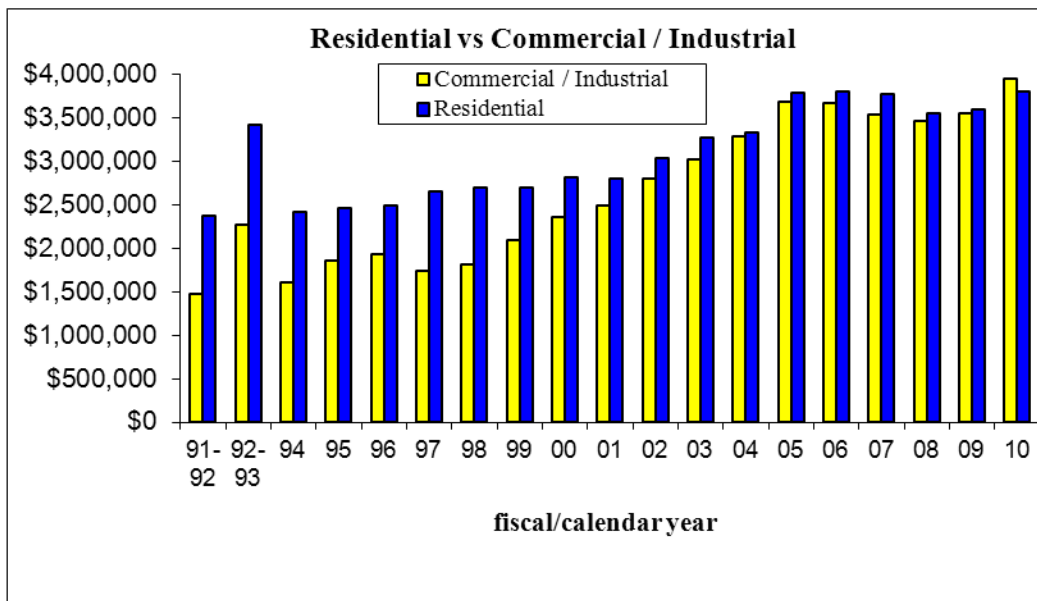
**2010 CAPITAL IMPROVEMENTS  
TOTAL \$8,143,047**





fiscal/calendar year

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



fiscal/calendar year

WATER REVENUE  
(92-93 is an 18-month

**COUNCIL BLUFFS WATER WORKS  
PUMPAGE & METERED CONSUMPTION  
(1,000'S Gallons)  
2010**

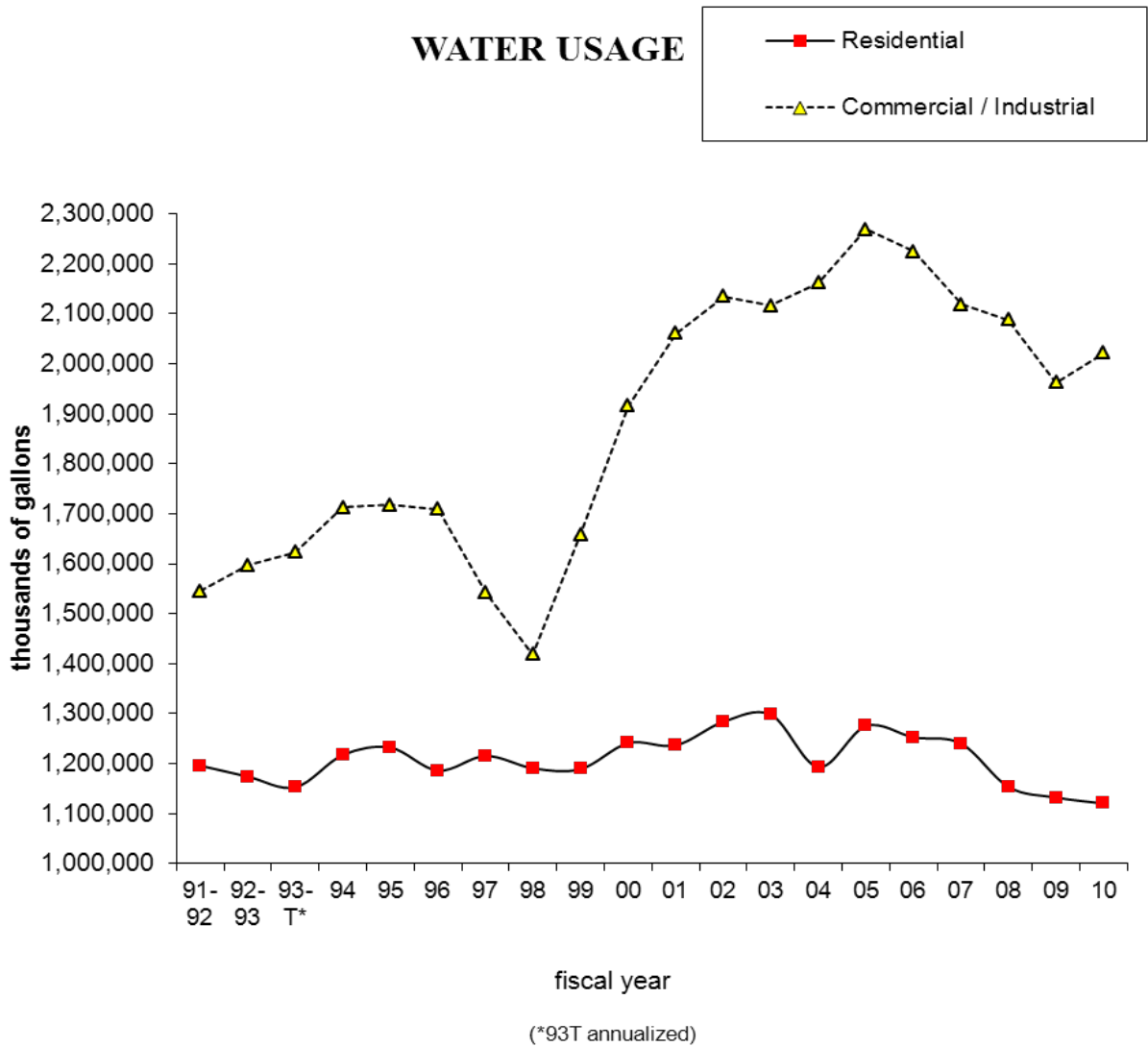
<u>MONTH</u>	<u>PUMPAGE TOTAL</u>	<u>METERED CONSUMPTION TOTAL</u>	<u>CONSUMPTION COMMERCIAL &amp; INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	278,640	214,141	124,604	89,537
February	254,218	212,413	128,580	83,833
March	277,352	239,243	145,240	94,003
April	288,549	232,607	163,079	69,528
May	311,090	253,625	168,058	85,567
June	330,800	282,557	185,039	97,518
July	365,210	300,492	204,969	95,523
August	394,190	341,808	220,752	121,056
September	335,630	305,496	198,512	106,984
October	331,510	294,855	190,270	104,585
November	275,341	243,357	153,239	90,118
December	270,869	221,066	139,198	81,868
Totals 2010	3,713,399	3,141,660	2,021,540	1,120,120
Ratio		84.6%	54.4%	30.2%
Totals 2009	3,730,721	3,094,281	1,962,132	1,132,149
Ratio		82.9%	52.6%	30.3%
Totals 2000	3,640,704	3,156,583	1,915,489	1,241,094
Ratio		86.7%	52.6%	34.1%

**COUNCIL BLUFFS WATER WORKS  
METERED SALES (\$)  
2010**

<u>MONTH</u>	<u>TOTAL</u>	<u>COMMERCIAL &amp; INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	538,802	252,652	286,150
February	528,949	256,046	272,903
March	613,690	283,120	330,570
April	554,229	308,000	246,229
May	632,610	335,220	297,389
June	695,038	361,689	333,349
July	722,085	396,403	325,683
August	824,679	424,393	400,286
September	743,355	384,833	358,522
October	722,801	368,726	354,075
November	613,884	302,671	311,213
December	567,548	277,748	289,800
Totals 2010	7,757,670	3,951,501	3,806,169
Ratio		50.9%	49.1%
Totals 2009	7,148,031	3,547,546	3,600,485
Ratio		49.6%	50.4%
Totals 2000	5,181,424	2,365,988	2,815,436
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

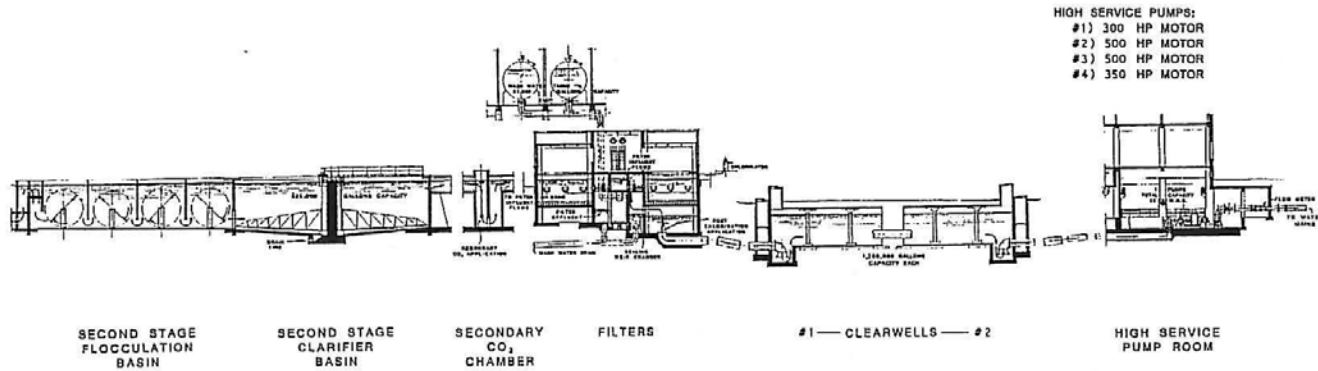
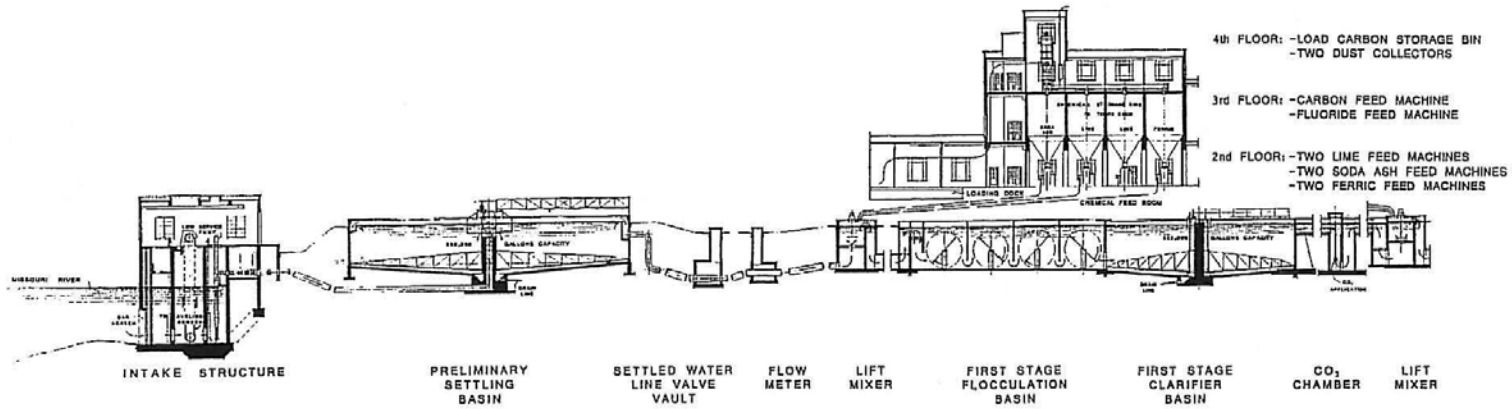
is served by three 2 million gallon reservoirs and one 3 million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the city.

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, 2010 and 2009  
(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, 2010 and 2009, 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, 2010 and 2009, 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 April 14, 2011 on our consideration of the Water Works' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 audits.

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  
April 14, 2011

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Calendar Year Ending December 31, 2010 (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, 2010. We encourage readers to consider this information in conjunction with our financial statements, which follow.

#### **FINANCIAL HIGHLIGHTS**

- ◆ The Water Works' operating revenues increased 9.36%, or \$728,350, from calendar year 2009 to 2010.
- ◆ The Water Works' operating expenses increased by 5.27%, or \$411,235, more in calendar year 2009 to 2010.
- ◆ The Water Works' net assets increased 0.40% or \$161,655, from December 31, 2009 to December 31, 2010.

#### **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 82.1% 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 2.5% includes resources that are subject to restrictions. The remaining net assets 15.4% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Balance Sheets		
December 31, 2010 and 2009		
	<u>2010</u>	<u>2009</u>
Current Assets	\$ 7,226,734	\$ 8,901,556
Restricted Assets	17,887,532	1,576,734
Capital Assets	<u>47,582,094</u>	<u>41,186,349</u>
<b>Total Assets</b>	<b><u>\$72,696,360</u></b>	<b><u>\$51,664,639</u></b>
Current Liabilities (payable from current assets)	\$ 1,168,209	\$1,889,683
Current Liabilities (payable from restricted assets)	1,947,345	818,918
Revenue bonds payable	<u>29,406,371</u>	<u>8,943,258</u>
<b>Total Liabilities</b>	<b><u>\$32,521,925</u></b>	<b><u>\$11,651,859</u></b>
Net Assets:		
Invested in capital assets, net of related debt	\$32,980,372	\$31,508,091
Restricted	992,161	757,816
Unrestricted	<u>6,201,902</u>	<u>7,746,873</u>
<b>Total Net asset</b>	<b><u>\$40,174,435</u></b>	<b><u>\$40,012,780</u></b>

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, 2010 and 2009 is presented below:

<u>Statements of Revenues and Expenses</u>		
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Metered water sales	\$ 7,813,357	\$ 7,104,303
Rental	103,640	101,063
Other	<u>588,890</u>	<u>572,171</u>
Total operating revenues	<u>\$ 8,505,887</u>	<u>\$ 7,777,537</u>
Operating expenses:		
Facilities and Maintenance	\$ 684,453	\$ 670,197
Inventory adjustment	(5,231)	(15,458)
Purification	1,176,500	1,074,492
Distribution and Meter	1,228,848	1,093,035
Consumer Accounting	384,571	387,871
Administration and General	1,611,137	1,629,508
Pension and social security	294,259	282,050
Depreciation	<u>2,835,603</u>	<u>2,677,210</u>
Total operating expenses	<u>\$ 8,210,140</u>	<u>\$ 7,798,905</u>
Non-operating revenues (expenses):		
Interest on investments	\$ 192,248	\$ 163,374
Interest expense	(481,134)	(326,980)
Loss on disposal of equipment	<u>(331)</u>	<u>(6,313)</u>
Non-operating revenues, net	<u>\$ (289,217)</u>	<u>\$ (169,919)</u>
Excess of expenses over revenues	<u>\$ 6,530</u>	<u>\$ (191,287)</u>

The Statement of Revenues and Expenses reflects a positive with an increase in the net assets at the end of the calendar year. The Board of Trustees has approved rate increases of 8% for 2010 and 2011.

In calendar year 2010, operating revenues increased by \$728,350 or 9.36%, primarily due to the increase in water rates..

### 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, 2010, the Water Works had \$83,864,714 invested in capital assets, net of accumulated depreciation of \$36,441,515. Depreciation expense totaled \$2,835,603 for calendar year 2010. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At December 31, 2010, the Water Works had \$39,033,000 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, 2010 and 2009

ASSETS	2010	2009
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 5,234,164	\$ 6,510,514
Short-term investments (Note 2)	-	379,000
Inventory	608,432	598,290
Receivables:		
Consumer accounts, net of allowance for doubtful accounts of \$1,000 for 2010 and 2009	1,032,819	1,045,387
Unbilled revenues	303,972	276,641
Accrued interest	-	1,807
Total receivables	<u>\$ 1,336,791</u>	<u>\$ 1,323,835</u>
Prepaid insurance	47,346	89,917
Restricted assets (Note 3)	<u>17,887,632</u>	<u>1,676,734</u>
Total current assets	<u>\$ 25,114,265</u>	<u>\$ 10,478,290</u>
Property, plant and equipment, net (Note 4)	47,423,200	41,008,532
Capitalized Costs, net (Note 5)	<u>403,734</u>	<u>177,817</u>
	<u>\$ 72,941,199</u>	<u>\$ 51,664,639</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities (payable from current assets):		
Accounts payable	\$ 226,647	\$ 396,055
Salaries payable	46,714	27,358
Accrued compensated absences	160,313	171,184
Accrued interest payable	47,183	24,477
Retainage payable	155,225	-
Due to City of Council Bluffs	388,749	535,609
Current portion of long term debt (Note 6)	300,000	735,000
Total current liabilities (payable from current assets)	<u>\$ 1,324,831</u>	<u>\$ 1,889,683</u>
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 606,680	\$ 588,380
Main extension escrow deposit	33,146	58,259
Accrued interest on consumer deposits	169,897	172,279
Construction costs payable	654,705	-
Retainage payable from restricted assets	571,134	-
Total current liabilities (payable from restricted assets)	<u>\$ 2,035,562</u>	<u>\$ 818,918</u>
Long term debt (Note 6)	<u>\$ 29,406,371</u>	<u>\$ 8,943,258</u>
Total liabilities	<u>\$ 32,766,764</u>	<u>\$ 11,651,859</u>
<b>FUND EQUITY</b>		
Contributed capital:		
Other governments	\$ 1,367,800	\$ 1,497,307
Customers and developers	<u>7,226,509</u>	<u>7,674,180</u>
Total contributed capital	<u>\$ 8,594,309</u>	<u>\$ 9,171,487</u>
Retained earnings	31,580,126	30,841,293
Total fund equity	<u>\$ 40,174,435</u>	<u>\$ 40,012,780</u>
	<u>\$ 72,941,199</u>	<u>\$ 51,664,639</u>

See Notes to Financial Statements.



COUNCIL BLUFFS CITY WATER WORKS  
 STATEMENTS OF REVENUES AND EXPENSES  
 Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues:		
Metered water sales	\$ 7,813,357	\$ 7,104,303
Rental	103,640	101,063
Other	<u>588,890</u>	<u>572,171</u>
Total operating revenues	<u>\$ 8,505,887</u>	<u>\$ 7,777,537</u>
Operating expenses:		
Facilities and maintenance	\$ 684,453	\$ 670,197
Inventory adjustment	(5,231)	(15,458)
Purification	1,176,500	1,074,492
Distribution and meter	1,228,848	1,093,035
Customer accounting	384,571	387,871
Administration and general	1,611,137	1,629,508
Pension and social security	294,259	282,050
Depreciation and amortization	<u>2,835,603</u>	<u>2,677,210</u>
Total operating expenses	<u>\$ 8,210,140</u>	<u>\$ 7,798,905</u>
Operating income	<u>\$ 295,747</u>	<u>\$ (21,368)</u>
Nonoperating revenues (expenses):		
Interest on investments	\$ 192,248	\$ 163,374
Interest expense	(481,134)	(326,980)
Loss on disposal of equipment	<u>(331)</u>	<u>(6,313)</u>
Nonoperating revenues, net	<u>\$ (289,217)</u>	<u>\$ (169,919)</u>
Excess of revenues over expenses/(expenses over revenues)	<u>\$ 6,530</u>	<u>\$ (191,287)</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF FUND EQUITY  
Years Ended December 31, 2010 and 2009

	Contributed Capital			Retained Earnings	Total Fund Equity
	Other Governments	Customers and Developers	Total		
Balances at January 1, 2009	\$1,566,902	\$ 7,801,949	\$ 9,368,851	\$ 30,308,021	\$39,676,872
Excess of revenues over expenses				(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	\$1,497,307	\$ 7,674,180	\$ 9,171,487	\$ 30,841,293	\$40,012,780
Excess of expenses over revenues				6,530	6,530
Contributions-in-aid of construction	-	155,125	155,125	-	155,125
Transfers – Depreciation of contributed property, plant and equipment	<u>(129,507)</u>	<u>(602,796)</u>	<u>(732,303)</u>	<u>732,303</u>	<u>-</u>
Balances at December 31, 2010	<u>\$1,367,800</u>	<u>\$ 7,226,509</u>	<u>\$ 8,594,309</u>	<u>\$ 31,580,126</u>	<u>\$40,174,435</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 7,798,594	\$ 7,165,630
Cash received from other revenues	692,530	673,234
Cash paid to suppliers for goods and services	(3,035,218)	(2,652,257)
Cash paid to employees and on their behalf	(2,449,513)	(2,402,112)
(Payments) receipts for City sewer services net of collections	(146,860)	(66,804)
Net cash provided by operating activities:	<u>\$ 2,859,533</u>	<u>\$ 2,717,691</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payment of revenue bonds	\$ (735,000)	\$ (705,000)
Revenue bonds issued	20,763,113	1,204,000
Loan fees paid	(250,000)	-
Interest paid on revenue bonds	(443,025)	(288,682)
Interest paid on consumer deposits	(17,785)	(16,021)
Additions to property, plant, and equipment	(7,845,455)	(3,200,697)
Main extension escrow deposits	(25,113)	24,061
Contributions-in-aid of construction	155,125	527,195
Net cash provided by (used in) capital and related financing activities	<u>\$ 11,601,860</u>	<u>\$ (2,455,144)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net sales of investments	\$ 1,190,976	\$ 1,270,000
Interest received on investments	194,055	177,477
Net cash provided by investing activities	<u>\$ 1,385,031</u>	<u>\$ 1,447,477</u>
Net increase in cash	\$ 15,846,424	\$ 1,710,024
Cash at beginning of year	<u>7,275,272</u>	<u>5,565,248</u>
Cash at end of year	<u>\$ 23,121,696</u>	<u>\$ 7,275,272</u>
<b>Reconciliation to balance sheets:</b>		
Cash	\$ 5,234,164	\$ 6,510,514
Cash included in restricted assets	<u>17,887,532</u>	<u>764,758</u>
	<u>\$ 23,121,696</u>	<u>\$ 7,275,272</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 295,747	\$ (21,368)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,835,603	2,677,210
Changes in assets and liabilities:		
(Increase) Decrease in inventory	(10,142)	113,353
(Increase) Decrease in receivables	(14,763)	61,327
(Increase) Decrease in prepaid insurance	42,571	23,352
Increase (Decrease) in accounts payable	(169,408)	(87,622)
Increase (Decrease) in salaries payable	19,356	(1,592)
Increase (Decrease) in accrued compensated absences	(10,871)	8,650
Increase (Decrease) in Due to City of Council Bluffs	(146,860)	(66,804)
Increase (Decrease) in consumer deposits	18,300	11,185
Net cash provided by operating activities	<u>\$ 2,859,533</u>	<u>\$ 2,717,691</u>

See Notes to Financial Statements.

## COUNCIL BLUFFS CITY WATER WORKS

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2010 and 2009

#### Note 1. Summary of Significant Accounting Policies

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

#### Reporting Entity

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

#### Basis of Presentation

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

#### Measurement Focus and Basis of Accounting

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

Water Works applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies – Continued

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.

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.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies – Continued

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 April 14, 2011, which is the date the financial statements were available to be issued.

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, 2010 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, uninsured.

At December 31, 2010, deposits consisted of the following:

Book Balance	Bank Balance	Category		
		1	2	3
<u>\$ 23,121,696</u>	<u>\$ 23,426,295</u>	<u>\$ 500,000</u>	<u>\$ 8,316,486</u>	<u>\$ 14,609,809</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2010 and 2009

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, 2010 and 2009 are as follows:

	2010	2009
Consumer deposit fund cash	\$ 794,319	\$ 642,784
Sinking fund cash	102,534	121,974
Consumer deposit fund investments	--	100,000
Reserve fund investments	2,130,870	708,500
Build America Bond loan funds	14,859,809	--
Accrued interest	--	3,476
	<u>\$ 17,887,532</u>	<u>\$ 1,576,734</u>

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2010 and 2009 consists of the following:

Description	Useful life in years	2010	2009
Land	-	\$ 2,208,406	\$ 2,158,072
Buildings and structures	20-40	13,229,740	13,194,979
Water distribution system	20-40	46,111,108	45,413,215
Meters	25-40	1,263,484	1,152,718
Tools and equipment	3-20	6,881,334	6,658,617
Automobiles and trucks	5	1,345,830	1,345,830
Office equipment	15	104,985	104,985
Work in progress		<u>12,719,828</u>	<u>4,614,068</u>
		\$ 83,864,714	\$ 74,642,484
Less accumulated depreciation		<u>(36,441,515)</u>	<u>(33,633,952)</u>
		<u>\$ 47,423,200</u>	<u>\$ 41,008,532</u>

As of December 31, 2010 the Water Works had contractual commitments of approximately \$30,955,073 for various construction projects of which \$8,815,838 has been completed. Included in the contractual commitments is \$25.9 million for the construction of a new water treatment facility, which is expected to be complete in August 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, 2010 and 2009

Note 5. Capitalized Costs

The costs incurred to obtain long term financing of the Water Revenue Bonds, State Revolving Funds and Build America Bonds have been capitalized and are being amortized as described below:

		2010	2009
Water Revenue Refunding, Series 2004			
Financing costs	81 months	\$ 44,899	\$ 44,899
Less accumulated amortization		<u>(44,899)</u>	<u>(38,247)</u>
Capitalized costs, net		<u>\$ --</u>	<u>\$ 6,652</u>
Water Revenue Bonds, Series 2005			
Financing costs	180 months	\$ 53,740	\$ 53,740
Bond Premium		(7,651)	(7,651)
Less accumulated amortization		<u>(11,049)</u>	<u>(9,274)</u>
Capitalized costs, net		<u>\$ 35,040</u>	<u>\$ 36,815</u>
Water Revenue Bonds, Series 2006			
Financing costs	180 months	\$ 16,626	\$ 16,626
Bond Discount		34,001	34,001
Less accumulated amortization		<u>(16,876)</u>	<u>(13,501)</u>
Capitalized costs, net		<u>\$ 33,751</u>	<u>\$ 37,126</u>
State Revolving Funds, \$10,353,000			
Financing costs	240 months	\$ 103,530	\$ 103,530
Less accumulated amortization		<u>(11,188)</u>	<u>(6,306)</u>
Capitalizes costs, net		<u>\$ 92,342</u>	<u>\$ 97,224</u>
Build America Bonds, \$20,000,000			
Financing costs	260 months	\$ 200,000	\$ --
Less accumulated amortization		<u>(6,177)</u>	<u>--</u>
Capitalized costs, net		<u>\$ 193,823</u>	<u>\$ --</u>
State Revolving Funds, \$5,000,000			
Financing costs		\$ 50,000	\$ --
Less accumulated amortization	369 months	<u>(1,222)</u>	<u>--</u>
Capitalizes costs, net		<u>\$ 48,778</u>	<u>\$ --</u>
Total capitalized costs, net		<u>\$ 403,734</u>	<u>\$ 177,817</u>



COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2010 and 2009

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. The balance of these bonds was retired as of December 31, 2010.

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, 2010 and 2009 the ratio was 1.68 and 2.55 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, 2010 and 2009.

In 2010, the Water Works executed the final \$25 million of its \$35.353 million Water Revenue Bonds for construction of a second water treatment facility. The Water Revenue Bonds bear interest at 3.00% due in 2041. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2010 and 2009 the Water Works had drawn down \$26,026,371 and \$2,411,909, respectively. These bonds require that the Water Works produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bond falling due in the same year. The Water Works was in compliance with this requirement for the years ended December 31, 2010 and 2009.

The Iowa Finance Authority has also issued an interim interest free loan for planning costs. This loan was closed and rolled into the Water Revenue Bonds during 2010. The loan balance as of December 31, 2009 was \$2,851,349.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2010 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2011	\$ 300,000	\$ 930,411	\$ 1,230,411
2012	1,512,000	882,471	2,394,471
2013	1,566,000	832,966	2,398,966
2014	1,622,000	781,636	2,403,636
2015	1,678,000	728,481	2,406,481
Thereafter	<u>23,028,371</u>	<u>5,286,181</u>	<u>28,314,552</u>
	<u>\$ 29,706,371</u>	<u>\$ 9,442,146</u>	<u>\$ 39,148,517</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2010 and 2009

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, 2010, State statute requires contributions of 4.50 percent by the employee and 6.95 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 of compensation in calendar years 2010 and 2009. The contribution paid by the Water Works totaled \$155,935 and \$146,234 for the years ended December 31, 2010 and 2009 respectively, and the contribution paid by employees totaled \$100,105 and \$94,507, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2010 and 2009 was \$2,263,878 and \$2,246,413 respectively, and the total Water Works' payroll for 2010 and 2009 was \$2,289,104 and \$2,250,995, respectively. The Water Works' employer and employee contributions during the years ended December 31, 2010 and 2009 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, 2010 and 2009

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 participated in the City workers' compensation self-insurance plan through June 24, 2010 when it enrolled in a fully insured plan with a national insurance group.

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, 2010 and 2009 was \$15,615 and \$ 15,056, respectively.

COUNCIL BLUFFS CITY WATER WORKS

Comparison of Cash Basis – Actual with Cash Basis - Budget  
Year ended December 31, 2010

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Non-program	
Enterprise – general (revenues)	<u>\$ 29,423,179</u>	<u>\$ 5,075,631</u>	<u>\$ 31,655,500</u>
Enterprise – general (expenses)	<u>\$ 14,543,484</u>		<u>\$ 31,241,150</u>

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>

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, 2010

	2010 Actual	2010 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 7,813,357	\$ 7,916,000	\$ (102,643)
Rental	103,640	102,000	1,640
Other	588,890	506,500	82,390
Total operating revenues	<u>\$ 8,505,887</u>	<u>\$ 8,524,500</u>	<u>\$ (18,613)</u>
Operating expenses:			
Facilities and maintenance	\$ 684,453	\$ 759,500	\$ 75,047
Inventory adjustment	(5,231)	10,000	15,231
Purification	1,176,500	1,052,500	(124,000)
Distribution and meter	1,228,848	1,166,450	(62,398)
Customer accounting	384,571	397,000	12,429
Administration and general	1,611,137	1,680,450	69,313
Pension and social security	294,259	289,000	(5,259)
Total operating expenses	<u>\$ 5,374,537</u>	<u>\$ 5,354,900</u>	<u>\$ (19,637)</u>
Operating income	<u>\$ 3,131,350</u>	<u>\$ 3,169,600</u>	<u>\$ (38,250)</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 192,248	\$ 146,000	\$ 46,248
Interest expense	(481,134)	(692,000)	210,866
Loss on disposal of equipment	(331)	(15,000)	14,669
Nonoperating revenues, net	<u>\$ (289,217)</u>	<u>\$ (561,000)</u>	<u>\$ 271,783</u>
Change in net assets before depreciation	\$ 2,842,133	<u>\$ 2,608,600</u>	<u>\$ 233,533</u>
Depreciation	(2,835,603)		
Contributions in aid of construction	155,125		
	<u>\$ 161,655</u>		
Total net assets beginning	<u>40,012,780</u>		
Total net assets ending	<u>\$ 40,174,435</u>		