# 2011



# **ANNUAL REPORT**



# **COUNCIL BLUFFS WATER WORKS**

Safe Drinking Water Is Our Business

# **MISSION STATEMENT:**

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

Front Cover Photo: The Missouri River at flood stage on June 29, 2011 looking toward the Council Bluffs Water Works Intake Structure.

# CHAIRMAN'S REPORT

The Missouri River and a summer of flooding was the central focus for the community and the Council Bluffs Water Works in 2011. The Missouri River surpassed floodstage of 29.0 feet on Memorial Day weekend and did not fall below floodstage until after Labor Day weekend. The whole community rallied around the flood fighting effort the entire summer. With the Narrows Water Purification Plant on the front lines of the river, our staff went into action mode when the U.S. Army Corps of Engineers sounded the alarm. Significant snow across the northern Great Plains and heavy snow in the Rocky Mountains combined with major rain events in Montana to surge down the Missouri River, filling the Main Stem Reservoirs to capacity. The result was record releases of 160,000 cubic feet per second from Gavins Point Dam throughout much of the summer. With river stages predicted to reach 36.0' it became apparent that the Intake Structure, Narrows Water Purification Plant and Administrative Office on North  $25^{th}$  Street were at risk. Immediately plans were made and steps were taken to protect facilities. Emergency response and back up plans were set in place. This included sandbagging, auxiliary pumps, Hesco protection barriers, increased chemical inventory and fuel. A satellite office was set up at Mall of the Bluffs, as were staging areas at the U.S. Army Reserve Center and Simms Avenue for the Distribution Department. The Water Works stayed in close communication with the City Command Center and other agencies including the Corps and Iowa National Guard. Senators and Congressman came to the Water Works to observe our flood fighting efforts and the challenges we faced.

While maintaining continuity of operations at the Narrows was priority one, flooding impacts on construction of the new Council Point Water Purification was a major concern. Over the July 4<sup>th</sup> weekend our General Contractor, Foley Company, was forced to suspend construction activities temporarily, while the Corps constructed sand blankets to reinforce the levee on Gifford Road. The high river and sand boils that formed inundated Gifford Road, severally impacting access to the construction site. The Water Works set four diesel pumps, pumping 10 million gallons per day to help control the rising water levels at the construction site. These pumping operations continued non-stop for several weeks allowing the contractor to continue construction activities.

Although the summer flooding did slow and delayed construction, the new plant will still come on-line in the fall of 2012, sixty years after the Narrow's 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.

As borne out by the summer flooding of 2011, the Board of Water Works Trustees and Water Works employees will meet any challenge to fulfill its obligation and commitment to provide 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 PURFICATION PLANT UNDER CONSTRUCTION 2011**

# 2011 RATE SCHEDULE

Monthly Retail Volume Charges			
	Monthly Billing		
	Inside City (\$/Ccf) Outside City (\$/Ccf)		
First 1,500 Cubic Feet	\$2.60	\$3.90	
Next 28,500 Cubic Feet	\$1.90	\$2.85	
Next 1,970,000 Cubic Feet	\$1.19	\$1.78	
Over 2,000,000 Cubic Feet	\$0.73	\$1.10	

Cubic foot = $7.48$ gallons
100 cubic feet (Ccf) = $748$ gallons

Bi-Monthly Retail Volume Charges			
	Bi-Monthly Billing		
	Inside City (\$/Ccf) Outside City (\$/Ccf)		
First 3,000 Cubic Feet	\$2.60	\$3.90	
Next 57,000 Cubic Feet	\$1.90	\$2.85	
Next 3,940,000 Cubic Feet	\$1.19	\$1.78	
Over 4,000,000 Cubic Feet	\$0.73	\$1.10	

# 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	
Staff Engineer:	Brian T. Cady	Professional Engineer

# **PURIFICATION DEPARTMENT**

Purification Manager:	John M. Meads	Iowa Grade IV Operator
Coordinator:		
Personnel:	Carolyn L. Hussein	Iowa Grade IV Operator
	Rodney A. Scott	Iowa Grade IV Operator
	Timothy C. Parker	Iowa Grade IV Operator
	Benjamin E. Brandes	Iowa Grade II Operator
	Joseph S. Rhoades	Iowa Grade II Operator
	Brandon L. Wear	Iowa Grade I Operator

# **DISTRIBUTION & METER SERVICES DEPARTMENT**

Ian J. Cassidy

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

# FACILITIES & GROUNDS DEPARTMENT

Director:	Ronnie G. Kopaska	
Coordinator:	Raymond P. Stevens	Iowa Grade II Operator
Process & Controls Technician:	Phil V. Kinart	
Personnel:	Jeremy W. Redmond Mark P. Applegate James L. Smith Jr. Joseph A. Masker Norman H. Sales Jr. Shane E. Ruckman Jason R. Jones Frank J. Bouska Jr.	ASC Certified Mechanic
CUSTOMER SE	ERVICE & ACCOUNTING DEPARTMENT	Γ

 Administrative Manager:
 Karen A. Wisniski

 Systems Administrator:
 Bruce M. Riegel

 Staff Engineer:
 Rex J. Anthony

 Personnel:
 Joseph E. Lenihan

 Travis P. Anderson
 Lisa A. Hammer

 Loni N. Neve
 Amy M. Driver

 FULL TIME EMPLOYEES



# HIGHLIGHTS

# AND

# STATISTICS

### **PURIFICATION DEPARTMENT**

In 2011, the Council Bluffs Water Works Narrows Water Purification Plant delivered 3,812,510,000 gallons of potable water to its customers. Our average daily pumpage was 10,445,000 gallons with a maximum of 16,610,000 gallons on July 20, 2011.

The flood in 2011 caused many challenges for the Council Bluffs Water Works. With a lot of hard work and preparation, water service for the city's consumers went uninterrupted throughout the entire event. The Purification Department along with all the other departments in the Council Bluffs Water Works organization planned and coordinated to keep the treatment plant in operation without any interruptions in production. It took a lot of effort, teamwork, and personal sacrifices throughout the organization to accomplish the daily task of providing a high quality product to the public.

In 2011, Council Bluffs Water Works replaced one of its chlorine feeders with a new and improved model. The original chlorination system was approximately 13 years old. The chlorination system consist of three wall mounted V-2000 automatic gas feeders with electronic actuator/flow proportional controllers and four vacuum regulator units. Due to the expense of the replacement units, one unit will be exchanged every year until all three of the old units have been replaced. The newly installed feeder, supplies chlorine feed to the 2<sup>nd</sup> stage clarifiers. Chlorination is used as a pre-treatment oxidant and is also used in the disinfection process. Chlorination is a vital part of water treatment thus it is imperative that operation of this equipment goes uninterrupted.

In 2011, the Council Bluffs Water Works Purification Department added two new operators. Brandon Wear was hired in January and received his Grade I certification in August and Ian Cassidy was hired in July and he will be eligible for a Grade I Certification testing in January of 2012. Both are new to water treatment and are working hard to achieve certification in water treatment.

The Council Bluffs Water Works Bacteriological Laboratory was up for its "by-annual inspection" in 2011. Ben Brandes, Laboratory Technician had the daunting task of passing the State of Iowa's Bacteriological Laboratory Inspection in January. The lab received a "Satisfactory Inspection". The "Satisfactory Inspection" status gives the Council Bluffs Water Works lab a "Certified Laboratory" label for analyzing and reporting total coliform and e-coli bacteria. The inspection licensees the lab to analyze total coliform and e-coli test for the Council Bluffs Water Works is required by the IDNR to collect a minimum of 70 samples per month from designated sites throughout the distribution system and have them analyzed by a certified lab. Having the ability to analyze samples in house saves time and money and allows for more flexibility for new construction testing in our distribution system. The lab processed over 1,800 samples in 2011 and generated \$14,600 in revenue.

The Army Corp of Engineers announced that runoff in 2011 totaled 61.2 million acre feet (MAF), 247 percent of normal and the highest amount in 114 years of record keeping. In December 2011, the Corp maintained 40,000 cubic feet per second (cfs) from Gavins Point dam a week longer than initially planned as part of its "flexible release stance" in an effort to create additional storage in the system for 2012. The Corp planned to reduce Gavins Point releases from 40,000 cfs to 20,000 cfs for the winter, but warmer temperatures and lack of river ice allowed them to maintain 22,000 cfs releases, thus providing an additional 300,000 acre foot of storage for the runoff season 2012.

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

Water Treatment Chemical	Tons Used	<u>\$ Cost</u>
Lime	2,073.5	\$302,738
Soda Ash	202.1	62,247
Ferric Sulfate	198.2	94,329
Liquid Chlorine	86.2	75,253
Sodium Silicofluoride	9.6	9,216
Polymer	12.3	14,194
Anhydrous Ammonia	9.7	13,968

Total Water Treatment Chem	ical Cost	\$599,408
Potassium Permanganate	1.0	4,275
Sodium Hexametaphosphate	5.6	11,247
Powder Activated Carbon	1.6	1,897
Sodium Chlorite	8.1	10,044

# 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, 7,866 valves and 2,899 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 2011, the Distribution Department continued with the leak survey of our entire system, maintained all fire hydrants and painted 350 hydrants as part of our annual program. Additionally, our personnel responded to 142 emergency call-outs throughout the year during all hours and weather conditions to ensure continued water service to our customers.

The Distribution Department's water main replacement efforts this year continued to support of city street and sewer replacement projects. Water mains were also added in new developments. Department personnel repaired approximately 3,063 square yards of PCC paving. Asphalt overlay was installed by agreement with the Public Works Department.

This year the department:

Made 74 small taps, and 30 purification taps Checked 845 service leaks Turned on/off 91 services Repaired 57 service lines and 193 curb boxes Replaced 14 services from the main to stop box 11 services were moved for construction by Water Works personnel 49 services were connected by contractors Killed 22 services at the main and 11 at the curb stop Answered 6,715 requests for service line or main location Turned 724 large valves, rebuilt 10, replaced 6 and added 3 new valves Installed 28 additional valves with Water Works mains Repaired 46 main leaks, moved 3 water mains, killed 1 water main and relocated 2 water mains Repaired 46 valve boxes Made 8 large taps (4 inches and above) Removed 8 fire hydrants from service which were obsolete, damaged or for main replacement 9 Hydrants were replaced by Water Works personnel Hydrants painted and domes color coded by an outside contractor 350 Hvdrants checked for leak survey 2,669 Hydrant flow tested 302 Checked 3,052 hydrants Repaired 197 hydrants Relocated 1 hydrants Scooped snow from 34 hydrants Flushed 492 hydrants Thawed out 10 fire hydrants

Observed installation of 4,352.5 feet of new mains installed by contractors.

Mains installed by size were:

6 feet of 4 – inch main 379 feet of 6 – inch main 25 feet of 8 – inch main 12 feet of 10 – inch main 14 feet of 12 – inch main

Mains installed by contractors were:

9 feet of 4 – inch main 130 feet of 6 – inch main 3,644 feet of 8 – inch main 132 feet of 16 – inch main

### METER SERVICES DEPARTMENT

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

In 2011, the Meter Department continued to upgrade and exchange 609 water meters. While continuing to maintain and upgrade the Water Works' 22,000 plus water meters, we placed an additional 309 radio read meters into the distribution system.

In addition to the meter exchanges this year the department:

Replaced 57 dead meters Removed 18 meters for demolition Repaired 39 leaking meters Replaced 48 frozen meters Installed 35 touch pads Installed 309 radio reading devices Set 130 new addresses with meters Set 20 new addresses with large meters Exchanged 4 large meters 183 notes were left to exchange meter Wired 103 new construction homes Monitored 440 new construction homes Survey 79 accounts for leaks Performed 3,044 final readings Read 2,717 RMMS (Reading Meter Management System) Researched 156 high bill orders Verified 127 meter readings 627 notes were left to read the meter Turned on 379 delinquent accounts for Customer Service 1,159 cards were left for delinquent accounts Reported 1 water main leaks Found 8 service leaks Found 5 damaged fire hydrants 55 bi-monthly meter routes were read 330 times and 4 monthly meter routes were read 48 times There were 142,066 meter readings

# FACILITIES & GROUNDS DEPARTMENT

The Facilities and Ground is responsible for the maintenance for all facilities, equipment, buildings and grounds, including the Narrows Water Purification Plant, Administration Building, five (5) Booster Pump Stations, four (4) Ground Storage Reservoirs, five (5) Elevated Storage Tanks and the addition of the new Council Point Water Purification Plant property and facilities nearing completion. The 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 and facilities.

Department personnel oversee the daily operations of the Store Room and Warehouse. The Inventory Specialist is responsible for the purchase, storage and allocation of material and resources needed for all departments with an inventory valued over \$600,000.

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

In addition to the above responsibilities, our department was relied upon heavily during the summer flooding at both the Narrows Water Purification Plant and the Council Point Water Purification Plant. This included flood prevention sand bagging, equipment and facilities protection, axillary equipment staging and testing, dewatering of the Council Point Water Purification Plant, and restoring the facilities and grounds when it was over. The list of flood related activities was extensive.

Capital Improvements project included replacement of access covers to pits and vaults around the Narrows Water Purification Plant. Half the access lids to vaults were replaced with new light weight and maintenance free aluminum lids. Rew Elevated Storage Tank was painted inside and out. The inner bowl was coated with a new generation of Zinc based paint which eliminated the need electronic cathodic protection and eliminated the yearly maintenance contract on the cathodic system. The outside was coated with a UV resistant paint that will last at least 50% longer than the old paint. This will also extend the time period and reduce the cost of future tank maintenance. The Glen Pump Station had a new high efficiency pump motor and variable speed drive installed on the #2 pump. The upgrade will reduce the number of starts and stops. Fewer starts and variable speed controls puts less stress on the distribution system and is more economical to operate.

Power and fuel are essential to our operations. It took 5,064,247 kWh of electricity at a cost of \$207,031.57 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 19,303 gallons of lead free gasoline to fuel the Water Works vehicles at a cost of \$59,410.57 and 10,858 gallons of red diesel fuel at a cost of \$35,183.79. We used 7,977 cubic feet of natural gas at a cost of \$33,015.28.

# CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

During 2011, a number of software enhancements were installed to meet the changing needs of our customers. Our company's financials and payroll software programs were upgraded from Great Plains Dynamics 9.0 to 2010. With this upgrade we were able to stay updated and current to the latest changes in the General Ledger, Purchasing and Payroll programs. The Council Bluffs Water Works upgraded the Cogsdale Customer Service Module from version 9.0 to 2010. By doing this, we added functionality to our Utility Billing System in areas like billing, special payment arrangements and customer accounts.

With upgrading our Utility Billing System to the newest version, our Online Customer Service Module also required upgrading, we upgraded the Customer Service Web Module version 1.1 to 2.7.2. The upgrade afforded our customers a wide range of online options that they can use to manage their account, as well as giving us the ability to manage the Customer Service Web Module. Customers are now able to see their past bills, usage, change passwords and e-mail addresses.

The customer service staff have done a very good job learning the system and how it works. As staff continues to gain more experience with the system, they also 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 telephone or in person. Customer Service handled an abundance of telephone calls regarding the flood and safety of the drinking water, and people moving out of their homes. 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 2011, the Customer Service Department mailed out 135,678 water bills, and sent 34,487 reminder notices and 18,257 shut-off notices to customers. There were 142,159 payments processed. There were 14,735 automatic bank payments. There were 6,124 service orders processed for final readings, high bills, dead meters, or to install new meters. There were 864 meters installed or replaced. Customer Service Representative made 2,899 payment arrangements with customers. 1,165 water bills were paid on the day of shut-off and 838 services were discontinued for non-payment. There were 179 returned checks that had to be collected from customers. 3,883 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 4,545 credit card payments, and 12,569 online web credit card payments.

The Accounting Department processed \$14,377,339.53 in receipts and payments in 2011, 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 21,499 active service accounts: 19,685 residential; 1,814 are commercial or industrial.

Last year, total production was 3,812,510,000 gallons.

Residential customers consumed 1,113,708,420 gallons in 2011. The average residential customer used 56,576.50 gallons at cost of \$208.05 per year or \$17.33 per month.

Our top ten customers consumed 1,100,400,004 gallons, 29% of total production.

# SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA

629 outside-City customers paid \$588,351.86 for 210,037,652 gallons of water.

The City of Crescent paid \$42,286.86 for 18,573,588 gallons of water.

Regional Water paid \$105,744.86 for 42,738,476 gallons of water. In total, outside City customers paid \$736,383.58 for 253,732,820 gallons of water. This represents 8.6% of metered water sales and 7.1% of total water production.

# SERVICES PROVIDED TO THE CITY OF COUNCIL BLUFFS, IOWA

The Council Bluffs Water Works provided 49,843,728 gallons of water to the City free of charge, having a value of \$137,537.77. Also, on behalf of the City, the Council Bluffs Water Works collected \$4,946,985.08 in sewer use fees.

# TOP TEN CUSTOMERS

	<u>2011 Rank</u>	<u>2010 Rank</u>
1.	ConAgra Frozen Foods	1
2.	MidAmerican Energy Co.	3
3.	Bunge Corporation	2
4.	Griffin Pipe Products	4
5.	Plumrose USA, Inc.	6
6.	Tyson Foods, Inc.	5
7.	Google, Inc. Council Bluffs	unranked
8.	City of Council Bluffs (City Hall)	7
9.	Regional Water	8
10.	Iowa Western Community College	9

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

1-inch main		3,192	feet
$1 \frac{1}{4}$ 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:	2,899		
Number of Valves:	7,866		

# 2011 CAPITAL IMPROVEMENTS TOTAL \$16,302,654





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) 2011

	PUMPAGE	METERED CONSUMPTION	CONSUMPTION COMMERCIAL &	
MONTH	TOTAL	TOTAL	INDUSTRIAL	RESIDENTIAL
January	280.015	216.345	128.466	87.879
February	263,376	220,159	137.736	82.423
March	289.653	241.450	154.040	87.410
April	281,655	222,327	142,913	79,414
May	318,907	262,093	175,327	86,766
June	336,498	299,818	202,733	97,085
July	405,980	312,037	214,979	97,058
August	387,180	354,174	233,223	120,951
September	340,250	324,253	219,594	104,659
October	345,990	293,044	193,854	99,190
November	278,916	238,540	148,764	89,776
December	284,090	239,461	158,364	81,097
Totals 2011	3.812.510	3.223.701	2,109,993	1.113.708
Ratio	- ,- ,	84.6%	55.3%	29.3%
Totals 2010	3,713,399	3,141,660	2,021,540	1,120,120
Ratio	. ,	84.6%	54.4%	30.2%
Totals 2001	3,852,449	3,297,715	2,061,015	1,236,700
Ratio	. ,	85.6%	53.5%	32.1%

# COUNCIL BLUFFS WATER WORKS METERED SALES (\$) 2011

MONTH	TOTAL	COMMERCIAL & INDUSTRIAL	RESIDENTIAL
January	588,154	283,476	304,678
February	585,108	294,121	290,987
March	659,914	328,658	331,256
April	601,317	301,144	300,173
May	689,332	364,738	324,594
June	783,567	424,256	359,311
July	802,512	445,487	357,025
August	907,474	474,194	433,280
September	834,061	454,769	379,292
October	770,054	402,535	367,519
November	651,524	316,488	335,036
December	641,167	328,712	312,455
Totals 2011	8,514,184	4,418,578	4,095,606
Ratio		51.9%	48.1%
Totals 2010	7,757,670	3,951,501	3,806,169
Ratio		50.9%	49.1%
Totals 2001	5,294,240	2,487,330	2,806,910
Ratio		47.0%	53.0%



**RESIDENTIAL VERSUS COMMERCIAL / INDUSTRIAL** 

fiscal year

(\*93T annualized)

# **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 line softening water treatment plant was constructed at North 25th Street. The Administration Building was relocated to North 25th Street in 1974. In the ensuing thirty years many other improvements have been made including the construction of the 2,000,000 gallon Valley View Reservoir, a Distribution/Meter Department Office and Warehouse Complex, a 1,500,000 gallon Clearwell, a modern Chlorine Handling Facility, 3 Elevated Storage Tanks, two Pump Stations and one storage reservoir.

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

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

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

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

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

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

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

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

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

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

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

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

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

# WATER TREATMENT PROCESS





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COUNCIL BLUFFS CITY WATER WORKS FINANCIAL STATEMENTS AND SCHEDULE DECEMBER 31, 2011 and 2010 (With Independent Auditors' Report Thereon)

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Certified Public Accountants

# Hamilton Associates, P.C.\_\_

#### 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, 2011 and 2010, 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, 2011 and 2010, 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 13, 2012 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 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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Water Works' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budge Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

Hamilton Associates P.C.

Council Bluffs, Iowa April 13, 2012

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

#### MANAGEMENT'S DISCUSSION AND ANALYSIS Calendar Year Ending December 31, 2011 (Audited)

Council Bluffs Water Works provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the calendar year ending December 31, 2011. We encourage readers to consider this information in conjunction with our financial statements, which follow.

# FINANCIAL HIGHLIGHTS

- The Water Works' operating revenues increased 7.10% or \$604,150 from calendar year 2010 to 2011.
- The Water Works' operating expenses increased by 8.34% or \$684,716, more in calendar year 2010 to 2011.
- The Water Works' net assets decreased 1.29% or \$516,402, from December 31, 2010 to December 31, 2011.

#### 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 87.3% 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 2.1% includes resources that are subject to restrictions. The remaining net assets 10.6% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Balance Sheets December 31, 2011 and 2010							
<u>2011</u> <u>2010</u>							
Current Assets Restricted Assets Capital Assets	\$ 4,986,416 7,858,515 61,975,623	\$7,226,734 17,887,532 47,826,934					
Total Assets	\$ 74,820,554	\$ 72,941,199					
Current Liabilities (payable from current assets) Current Liabilities (payable from restricted assets) Revenue bonds payable	\$ 1,619,685 2,894,821 30,648,015	\$ 1,324,831 2,035,562 29,406,371					
Total Liabilities	\$ 35,162,521	\$32,766,764					
Net Assets: Invested in capital assets, net of the related debt Restricted Unrestricted	\$ 34,649,469 839,833 4,168,731	\$ 32,980,372 992,161 6,201,902					
Total Net Assets	\$ 39,658,033	\$ 40,174,435					

#### 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.

The Statement of Revenues and Expenses reflects a loss of \$543,118 in 2011. The primary reason for the loss was the 2011 Missouri River flooding incident that impacted both the Narrows Water Purification Plant and Administrative Campus on North 25<sup>th</sup> Street and construction of the new Council Point Water Purification Plant on Gifford Road. The Water Works expended considerable resources to protect its facilities from flood water throughout the summer of 2011. These unforeseen expenses totaled \$779,663. This event was declared a disaster and eligible assistance through FEMA. The Water Works is in the process of submitting requests for reimbursement for eligible expenses.

The Board of Trustees approved a rate increase of 8% in 2011 and an additional 8% in 2012.

In calendar year 2011, operating revenues increased by \$604,150 or 7.10%, primarily due to the increase in water rates.

A summary of revenues and expense for the years ending December 31, 2011 and 2010 is presented below:

Statements of Revenues and Expenses					
	<u>2011</u>	2010			
Operating revenues:					
Metered water sales	\$ 8,519,060	\$ 7,813,357			
Rental	106,826	103,640			
Other	484,151	588,890			
Total operating revenues	\$ 9,110,037	\$ 8,505,887			
Operating expenses					
Facilities and Maintenance	\$ 743,984	\$ 684,453			
Inventory Adjustment	(563)	(5,231)			
Purification	1,107,119	1,176,500			
Distribution and Meter	1,218,018	1,228,848			
Consumer Accounting	366,911	384,571			
Administration and General	2,298,726	1,611,137			
Pension and Social Security	326,805	294,259			
Depreciation	2,833,855	2,835,603			
Total operating expenses	\$ 8,894,856	\$ 8,210,140			
Non-operating revenues (expenses):					
Interest on investments	\$ 323,981	\$ 192,248			
Interest expense	(1,080,971)	(481,134)			
Loss on disposal of equipment	(1,309)	(331)			
Non-operating revenues, net	\$ (758,299)	\$ (289,217)			
Excess of expenses over revenues	\$ (543,118)	\$ 6,530			

#### 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, 2011 the Water Works had \$100,813,071 invested in capital assets, net of accumulated depreciation of \$39,220,353. Depreciation expense totaled \$2,813,027 for calendar year 2011. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

#### LONG-TERM DEBT

At December 31, 2011, the Water Works had \$31,450,015 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.

- Facilities and the distribution system operated by Water Works require constant maintenance and upkeep.
- Chemical cost, electricity, maintenance of mains and services, and health insurance continue to put
  pressure on the Water Works resources.
- Continued growth in the community requires the Water Works to invest in new infrastructures to meet the growing demands of the community.
- Vulnerability and security improvement of our system will be an ongoing process.

# CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT

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

#### BALANCE SHEETS December 31, 2011 and 2010

ASSETS		2011		2010
CURRENT ASSETS Cash (Note 2) Inventory Receivables:	\$	2,864,566 593,685	\$	5,234,164 608,432
Consumer accounts, net of allowance for doubtfu accounts of \$1,000 for 2011 and 2010 Unbilled revenues	I	1,129,840 306,182		1,032,819 303,972
Total receivables	\$	1,436,022	\$	1,336,791
Prepaid insurance Restricted assets (Note 3)	_	92,143 7,858,515,⁄	1	47,346 7,887,532
Total current assets	\$	12,844,931	\$2	5,114,265
Property, plant and equipment, net (Note 4)		61,592,718	4	7,423,200
Capitalized Costs, net (Note 5)		382,905		403,734
LIABILITIES AND FUND EQUITY LIABILITIES Current liabilities (payable from current assets): Accounts payable Salaries payable Accrued compensated absences Accrued interest payable Retainage payable Due to City of Council Bluffs Current portion of long term debt (Note 6) Total current liabilities (payable from current assets) Current liabilities (payable from restricted assets): Consumer deposits Main extension escrow deposit Accrued interest on consumer deposits Construction costs payable Retainage payable from restricted assets Total current liabilities (payable from restricted assets)	\$ \$ \$ \$	74,820,554 185,780 32,412 166,078 89,019 12,674 331,722 802,000 1,619,685 632,825 33,146 183,449 742,906 1,302,495 2,894,821	\$7 \$ \$ \$	226,647 46,714 160,313 47,183 155,225 388,749 300,000 1,324,831 606,680 33,146 169,897 654,705 571,134 2,035,562
Long term debt (Note 6)	\$	30,648,015	\$2	9,406,371
Total liabilities	\$	35,162,521	\$3	2,766,764
FUND EQUITY Contributed capital: Other governments Customers and developers Total contributed capital Retained earnings Total fund equity	\$ \$ \$ \$ \$	1,263,662 6,623,713 7,887,375 31,770,658 39,658,033 74,820,554	\$ 3 \$4 \$7	1,367,800 7,226,509 8,594,309 11,580,126 10,174,435 2,941,199
See Notes to Financial Statements 5	j -			

#### STATEMENTS OF REVENUES AND EXPENSES Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Metered water sales	\$ 8 519 060	\$ 7 813 357
Rental	106 826	φ 7,013,337 102,640
Other	100,020	599 900
outor	404,101	566,690
Total operating revenues	\$ 9,110,037	\$ 8,505,887
Operating expenses:		
Facilities and maintenance	\$ 743,984	\$ 684,453
Inventory adjustment	(563)	(5.231)
Purification	1,107,119	1.176.500
Distribution and meter	1.218.018	1,228,848
Customer accounting	366.911	384.571
Administration and general	2.298.726	1.611.137
Pension and social security	326,806	294 259
Depreciation and amortization	2,833,855	2,835,603
Total operating expenses	\$ 8,894,856	\$ 8,210,140
Operating income	\$ 215,181	\$ 295,747
Nonoperating revenues (expenses):		
Interest on investments	\$ 323,981	\$ 192.248
Interest expense	(1.080.971)	(481 134)
Loss on disposal of equipment	(1,309)	(331)
		(001)
Nonoperating revenues, net	\$ (758,299)	\$ (289,217)
Excess of revenues over expenses/(expenses over revenues)	\$ (543,118)	\$ 6,530

See Notes to Financial Statements.

# STATEMENTS OF FUND EQUITY Years Ended December 31, 2011 and 2010

		Contributed Cap			
	Other Governments	Customers and Developers	Total	Retained Earnings	Total Fund Equity
Balances at January 1, 2010	\$1,497,307	\$ 7,674,180	\$ 9,171,487	\$30,841,293	\$40,012,780
Excess of revenues over expenses				6,530	6,530
Contributions-in-aid of construction	-	155,125	155,125	-	155,125
Transfers – Depreciation of contributed property, plant and equipment	(129,507)	(602,796)	(732,303)	732,303	-
Balances at December 31, 2010	\$1,367,800	\$ 7,226,509	\$ 8,594,309	\$31,580,126	\$40,174,435
Excess of expenses over revenues				(543,118)	(543,118)
Contributions-in-aid of construction	26,716	-	26,716	-	26,716
Transfers – Depreciation of contributed property, plant and equipment	(130,854)	(602,796)	(733,650)	733,650	
Balances at December 31, 2011	\$1,263,662	\$ 6,623,713	\$ 7,887,375	\$31,770,658	\$39,658,033

See Notes to Financial Statements.

#### STATEMENTS OF CASH FLOWS Years Ended December 31, 2011 and 2010

2011

2010

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users Cash received from other revenues Cash paid to suppliers for goods and services Cash paid to employees and on their behalf (Payments) receipts for City sewer services net of collections Net cash provided by operating activities:	\$ 8,419,829 590,977 (3,559,134) (2,555,176) (57,027) \$ 2,839,469	<pre>\$ 7,798,594 692,530 (3,035,218) (2,449,513) (146,860) \$ 2,859,533</pre>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Principal payment of revenue bonds Revenue bonds issued Loan fees paid Interest paid on revenue bonds Interest paid on consumer deposits Additions to property, plant, and equipment Main extension escrow deposits Contributions-in-aid of construction Net cash provided by (used in) capital and related financing activities	\$ (300,000) 2,043,644 (1,005,309) (20,274) (16,306,842) - 26,716 \$ (15,562,065)	<pre>\$ (735,000) 20,763,113 (250,000) (443,025) (17,785) (7,845,455) (25,113) 155,125 \$ 11,601,860</pre>
CASH FLOWS FROM INVESTING ACTIVITIES Net sales of investments Interest received on investments Net cash provided by investing activities	\$ 323,981 \$323,981	\$ 1,190,976 194,055 \$ 1,385,031
Net increase (decrease) in cash	\$ (12,398,615)	\$ 15,846,424
Cash at beginning of year	23,121,696	7,275,272
Cash at end of year	\$ 10,723,081	\$ 23,121,696
Reconciliation to balance sheets: Cash Cash included in restricted assets	\$ 2,864,566 7,858,515 \$ 10,723,081	<ul> <li>\$ 5,234,164</li> <li>17,887,532</li> <li>\$ 23,121,696</li> </ul>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Operating income (loss) Adjustments to reconcile operating income to net cash provided by operating activities:	\$ 215,181	\$ 295,747
Depreciation and amortization Changes in assets and liabilities:	2,833,855	2,835,603
Depreciation and amortization Changes in assets and liabilities: (Increase) Decrease in inventory (Increase) Decrease in receivables (Increase) Decrease in prepaid insurance Increase (Decrease) in accounts payable Increase (Decrease) in salaries payable Increase (Decrease) in accrued compensated absences Increase (Decrease) in Due to City of Council Bluffs Increase (Decrease) in consumer deposits	2,833,855 14,747 (99,231) (44,798) (40,866) (14,302) 5,765 (57,027) 26,145	2,835,603 (10,142) (14,763) 42,571 (169,408) 19,356 (10,871) (146,860) 18,300

See Notes to Financial Statements.

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

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

#### Basis of Presentation

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

#### 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.

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

#### 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.

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

# 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 13, 2012, 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, 2011 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, 2011, deposits consisted of the following:

Book	Bank	Category		
Balance	Balance	1	2	3
<u>\$_10,723,081</u>	<u>\$11,133,703</u>	<u>\$ 500,000</u>	<u>\$ 10,633,703</u>	\$

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

#### 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, 2011 and 2010 are as follows:

	2011	2010
Consumer deposit fund cash Sinking fund cash Reserve fund investments Build America Bond Ioan funds	\$ 853,769 148,487 2,732,398 4,123,861	\$ 794,319 102,534 2,130,870 14,859,809
	\$ 7,858,515	\$ 17,887,532

#### Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2011 and 2010 consists of the following:

Description	Useful life	2011	2010
Decemption	in years	2011	2010
Land	-	\$ 2,208,406	\$ 2.208.406
Buildings and structures	20-40	13,378,714	13,229,740
Water distribution system	20-40	49,637,207	46,111,108
Meters	25-40	1,325,472	1,263,484
Tools and equipment	3-20	7,093,660	6,881,334
Automobiles and trucks	5	1,358,628	1,345,830
Office equipment	15	104,985	104,985
Work in progress		25,705,999	12,719,828
		\$ 100,813,071	\$ 83,864,714
Less accumulated depreciation		(39,220,353)	(36,441,515)
· · · · · · · · · · · · · · · · · · ·		<u>\$61,592,718</u>	\$ 47,423,200

As of December 31, 2011 the Water Works had contractual commitments of approximately \$29,480,885 for various construction projects of which \$21,192,990 has been completed. Included in the contractual commitments is \$29.2 million for the construction of a new water treatment facility, which is expected to be complete in September 2012. Funding for the water treatment facility will be through Water Revenue bonds as described in Note 6.

# NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

# 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:

Water Poyonus Ponda, Sorias 2005		2011	2010
Financing costs Bond Premium Less accumulated amortization Capitalized costs, net	180 months	\$ 53,740 (7,651) <u>(12,724)</u> <u>\$ 33,365</u>	\$ 53,740 (7,651) <u>(11,049)</u> \$ 35,040
Water Revenue Bonds, Series 2006 Financing costs Bond Discount Less accumulated amortization Capitalized costs, net	180 months	\$ 16,626 34,001 <u>(20,251)</u> <u>\$ 30,376</u>	\$ 16,626 34,001 <u>(16,876)</u> <u>\$ 33,751</u>
State Revolving Funds, \$10,353,000 Financing costs Less accumulated amortization Capitalizes costs, net	240 months	\$ 103,530 _(16,069) \$_87,461	\$ 103,530 (11,188) <u>\$ 93,342</u>
Build America Bonds, \$20,000,000 Financing costs Less accumulated amortization Capitalized costs, net	260 months	\$ 200,000 <u>(15,444)</u> <u>\$ 184,556</u>	\$ 200,000 (6,177) <u>\$ 193,823</u>
State Revolving Funds, \$5,000,000 Financing costs Less accumulated amortization Capitalizes costs, net	369 months	\$ 50,000 (2,853) \$ 47,147	\$ 50,000 (1,222) \$ 48,778
Total capitalized costs, net		<u>\$ 382,905</u>	<u>\$ 403,734</u>

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

#### 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, 2011 and 2010 the ratio was 1.34 and 1.68 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, 2011 and 2010.

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 lowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2011 and 2010 the Water Works had drawn down \$28,070,015 and \$26,026,371, 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, 2011 and 2010.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2011 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2012	\$ 802,000	\$ 979,840	\$ 1,781,840
2013	1,558,000	915,816	2,473,816
2014	1,613,000	864,756	2,477,756
2015	1,671,000	811,811	2,482,811
2016	1,733,000	757.011	2,490,011
Thereafter	24,073,015	5,218,247	29,291,262
	<u>\$ 31,450,015</u>	<u>\$ 9,547,481</u>	<u>\$ 40,997,496</u>

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

#### 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.

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. On July 1, 2011, the State increased the required contributions from 4.50% to 5.38% for the employee and from 6.95% to 8.07% for 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 2011 and 2010. The contribution paid by the Water Works totaled \$180,961 and \$155,935 for the years ended December 31, 2011 and 2010 respectively, and the contribution paid by employees totaled \$119,432 and \$100,105, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2011 and 2010 was \$2,409,203 and \$2,263,878 respectively, and the total Water Works' payroll for 2011 and 2010 was \$2,425,665 and \$2,289,104, respectively. The Water Works' employer and employee contributions during the years ended December 31, 2011 and 2010 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, 7410 Register Drive, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

#### Note 8. Contingencies

The Environmental Protection Agency (EPA) is currently evaluating the method of which the Water Works' discharges treatment plant residuals. As a result of this evaluation, the EPA may require the Water Works' to change it's disposal method. This change could result in significant additional costs to the Water Works' infrastructure and operations. As of the date of this report, Management was not able to reasonably estimate costs, if any, that would be incurred to comply with this regulation. Once management understands the new requirements, they will determine if a liability shall be established.

#### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2011 and 2010

#### Note 9. 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 \$220,800. 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, 2011 and 2010 was \$4,970 and \$ 15,615, respectively.

# Comparison of Cash Basis – Actual with Cash Basis - Budget Year ended December 31, 2011

Fund	<u>Cash basis – actu</u> Home and Community Environment Program	Non-program	Cash basis - budget
Enterprise – general (revenues)	<u>\$ 11,378,431</u>	<u>\$ 4,946,985</u>	<u>\$ 9,334,000</u>
Enterprise – general (expenses)	<u>\$ 23,788,933</u>		<u>\$_31,813,960</u>

Year ended December 31, 2010

Fund	Cash basis – actu Home and Community Environment Program	ual Non-program	Cash basis - budget
Enterprise – general (revenues)	\$ 29,423,179	<u>\$ 5,075,631</u>	<u>\$ 31,655,500</u>
Enterprise – general (expenses)	<u>\$ 14,543,484</u>		<u>\$_31,241,150</u>

See Independent Auditors' Report.

# BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES BUDGET AND ACTUAL (GAAP BASIS) REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2011

	2011 Actual	2011 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			-
Metered water sales	\$ 8,519,060	\$ 8,470,000	\$ 49,060
Rental	106,826	106,000	826
Other	484,151	611,000	(126,849)
Total operating revenues	\$ 9,110,037	\$ 9,187,000	\$ (76,963)
Operating expenses:			
Facilities and maintenance	\$ 743,984	\$ 792,000	\$ 48.016
Inventory adjustment	(563)	10,000	10.563
Purification	1,107,119	1,181,000	73,881
Distribution and meter	1,218,018	1,207,000	(11.018)
Customer accounting	366,911	384,000	17.089
Administration and general	2,298,726	1,945,960	(352,766)
Pension and social security	326,806	300,000	(26,806)
Total operating expenses	\$ 6,061,001	\$ 5,819,960	\$ (241,041)
Operating income	\$ 3,049,036	\$ 3,367,040	\$ (318,004)
Nonoperating revenues (expenses):			
Interest on investments	\$ 323,981	\$ 142.000	\$ 181,981
Interest expense	(1.080.971)	(1.008.000)	(72,971)
Loss on disposal of equipment	(1,309)	(15,000)	13,691
Nonoperating revenues, net	\$ (758,299)	\$ (881,000)	\$ 122,701
Change in net assets before depreciation	\$ 2,290,737	\$ 2,486,040	\$ (195,303)
Depreciation	(2.833.855)		
Contributions in aid of construction	<u>26,716</u> \$ (516,402)		
Total net assets beginning	40,174,435		
Total net assets ending	\$ 39,658,033		

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Indirect			
Pass-Through Iowa Finance Authority			
Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	D0043R	\$ 1,453,796
Pass-Through State of Iowa Emergency Managemer	nt		
US Department of Homeland Security			
Disaster Grants - Public Assistance (President Declared Disasters)	tially 97.036	155-U59RE-00	\$ 28,569
			\$ 1,482,365

#### Note 1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of the Council Bluffs City Water Works and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Note 2. Loans Outstanding

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Council Bluffs City Water Works had the following loan balances outstanding at December 31, 2011. Loans made during the year are included in the federal expenditures presented in this schedule.

Program Title	CFDA Number	0	Amount Outstanding	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$	1,453,796	

Hamilton Associates, P.C.\_\_\_

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Council Bluffs City Water Works as of and for the year ended December 31, 2011, and have issued our report thereon dated April 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council Bluffs City Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hamilton Associates, P.C.

Council Bluffs, Iowa April 13, 2012 Hamilton Associates, P.C.\_

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Council Bluffs City Water Works as of and for the year ended December 31, 2011, and have issued our report thereon dated April 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council Bluffs City Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hamilton Associates, P.C.

Council Bluffs, Iowa April 13, 2012

# Hamilton Associates, P.C.\_

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### Compliance

We have audited the compliance of Council Bluffs City Water Works with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Council Bluffs City Water Works' major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Council Bluffs City Water Works' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council Bluffs City Water Works' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council Bluffs City Water Works' compliance meths.

In our opinion, Council Bluffs City Water Works complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

#### Internal Control over Compliance

Management of Council Bluffs City Water Works is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Council Bluffs City Water Works' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs City Water Works' internal control over compliance.

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

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

This report is intended solely for the information and use of management, board of trustees, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Council Bluffs, Iowa April 13, 2012

Hameton Associate, P.C.

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2011

# I. SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
  Significant deficiency(ies) identified? Yes X None
- Noncompliance material to financial Yes X No

statements noted?

#### Federal Awards

Internal control over major programs:

•	Material weakness(es) identified?	Yes	X	No
•	Significant deficiency(ies) identified?	Yes	X	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

 Any audit findings disclosed that are Yes X No required to be reported in accordance with section 510(a) of Circular A-133?

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

66.468 Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish betweentype A and type B programs\$ 300,000

Auditee qualified as low-risk auditee? Yes X No

#### II. FINANCIAL STATEMENT FINDINGS - None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - None