

2013



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: Council Point Water Purification Plant and Narrows Water Purification Plant

CHAIRMAN'S REPORT

On May 17, 2013 the Council Point Water Purification Plant delivered water to our customers for the very first time, three years after groundbreaking. By June the plant was in continuous operation and by July was in fully automated operation. Council Point is a state-of-the-art integrated membrane water treatment plant using Ultra-Filtration and Reverse Osmosis technology to produce exceptionally high quality drinking water for our customers. Council Point has the capacity to produce 5 million gallons daily and designed and constructed to allow for a seamless future expansion to 10 million gallons per day by the addition of treatment equipment. The project included the development of a new groundwater source of supply spread over 80 acres of land on the south side of the City along with a new 3,000,000 gallon storage reservoir, high service pump station and 9,000 feet of 30-inch ductile water main connecting Council Point to our water distribution network. Council Bluffs joins a unique fraternity of only three other Cities in Iowa to have more than one water purification plant serving their community. This project is a major addition to the Board's portfolio of assets to deliver high quality drinking water to our customers as 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 Council Bluffs Water Works had two notable retirements in 2013 in Joseph E. Lenihan and Ronnie G. Kopaska.

Mr. Lenihan was hired on May 1, 1950 and began his long career in the Distribution Department. He worked in various positions during his employment prior to his promotion to Customer Service Department Manager. Joe enjoyed working with Water Works employees and customers. He worked closely with plumbers and developers over many years and providing quality customer service was his first priority. With a career spanning over 60 years Joe saw many changes to the community and the Water Works.

Mr. Kopaska was hired on June 2, 1969 as Chief Automotive Mechanic and began his long career in the Maintenance Department. On October 1, 1978 Ron was promoted to Maintenance Department Manager. Under Ron's leadership many improvements were made to facilities. Ron took a great deal of pride in maintaining all of the Water Works facilities in top condition and brought a high level of skill and knowledge to the Water Works that resulted in years innovation and uninterrupted service to our customers.

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.

Maureen R. Kruse
Chairperson

Trustees:
Carl L. Heinrich
Martin L. Brooks
Michael J. Wallner
Caitlin A. Beresford



**COUNCIL POINT WATER PURIFICATION PLANT
CONSTRUCTION COMPLETED 2013**

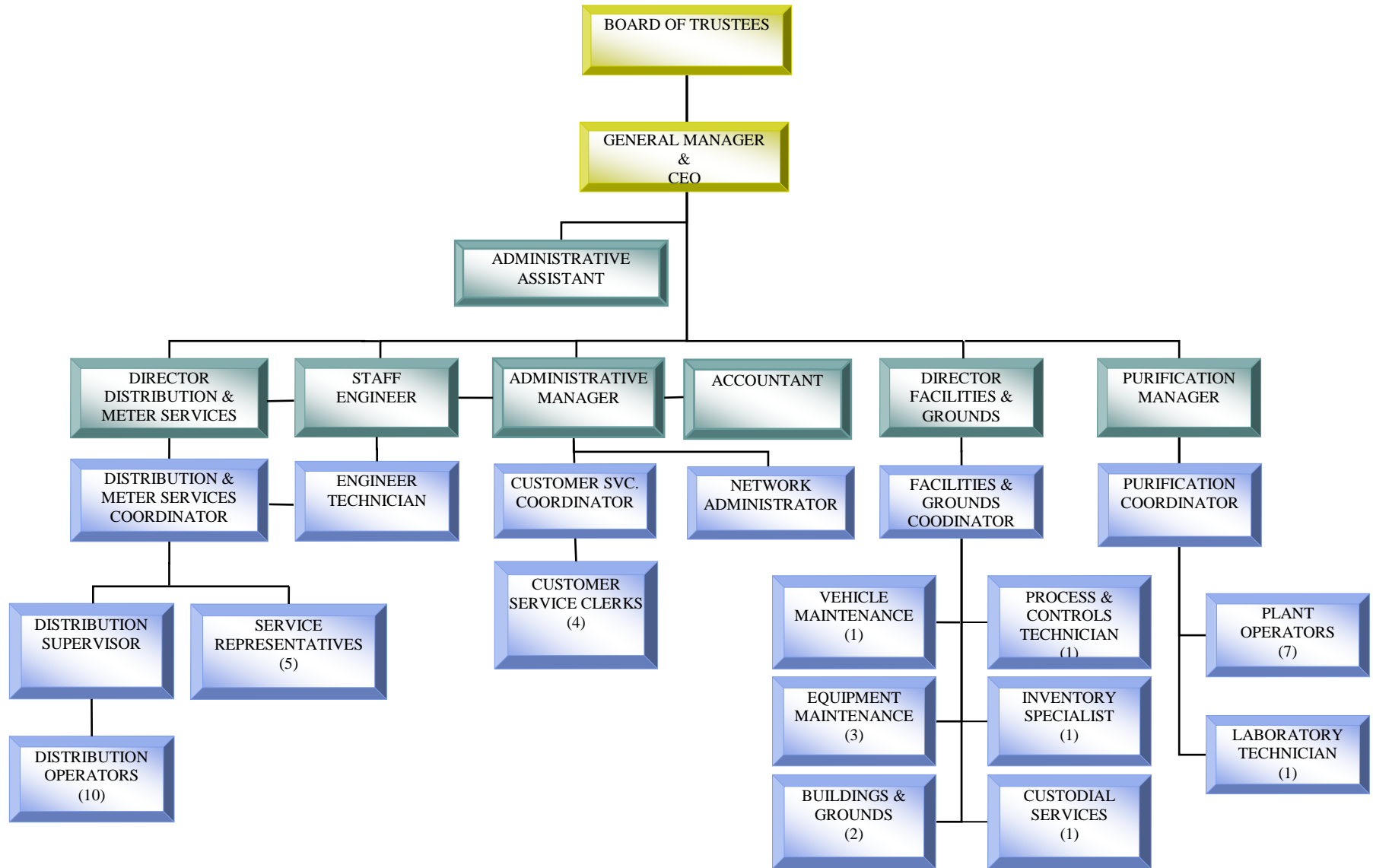
**2013
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 1,500 Cubic Feet	\$2.81	\$4.22
Next 28,500 Cubic Feet	\$2.05	\$3.08
Next 1,970,000 Cubic Feet	\$1.29	\$1.94
Over 2,000,000 Cubic Feet	\$0.79	\$1.19

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 3,000 Cubic Feet	\$2.81	\$4.22
Next 57,000 Cubic Feet	\$2.05	\$3.08
Next 3,940,000 Cubic Feet	\$1.29	\$1.94
Over 4,000,000 Cubic Feet	\$0.79	\$1.19

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

COUNCIL BLUFFS WATER WORKS ORGANIZATIONAL CHART



ORGANIZATION
AND
PERSONNEL

BOARD OF WATER WORKS TRUSTEES

Chairperson	Maureen R. Kruse	term expires June 30, 2016
Trustee	Carl L. Heinrich	term expires June 30, 2015
Trustee	Martin L. Brooks	term expires June 30, 2019
Trustee	Michael J. Wallner	term expires June 30, 2016
Trustee	Caitlin A. Beresford	term expires June 30, 2018

STAFF

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

PURIFICATION DEPARTMENT

Purification Manager:	John M. Meads	Iowa Grade IV Operator
Coordinator:	---	---
Personnel:	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 II Operator
	Ian J. Cassidy	Iowa Grade II Operator
	Ketrick E. Dilworth	Iowa Grade I Operator

DISTRIBUTION & METER SERVICES DEPARTMENT

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

FACILITIES & GROUNDS DEPARTMENT

Director: Ronnie G. Kopaska

Coordinator: Raymond P. Stevens Iowa Grade III Operator

Process & Controls Technician: Phil V. Kinart Iowa Grade II Operator

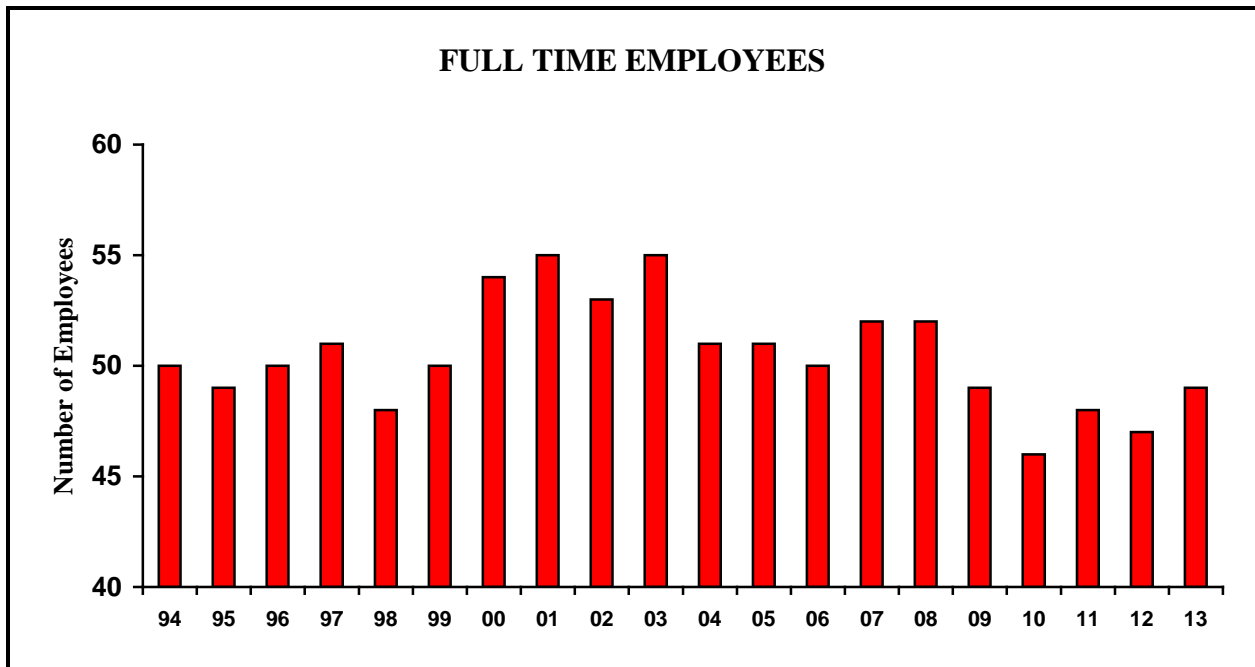
Personnel:
Mark P. Applegate
James L. Smith Jr.
Joseph A. Masker
Norman H. Sales Jr.
Shane E. Ruckman
Frank J. Bouska Jr.
Joseph J. Allan
Elden D. Tackett

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

Administrative Manager: Karen A. Wisniski

Systems Administrator: Bruce M. Riegel

Personnel:
Joseph E. Lenihan
Travis P. Anderson
Lisa A. Hammer
Loni N. Neve
Amy M. Driver
Alyssia J. Wiebold



HIGHLIGHTS
AND
STATISTICS

PURIFICATION DEPARTMENT

The Purification Department’s primary responsibility is to produce safe drinking water in compliance with all Federal and State Drinking Water Standards. The Council Bluffs Water Works delivered 3,951,221,000 gallons of potable water to its customers in 2013. The Narrows Water Purification Plant produced 3,565,016,000 gallons and the new Council Point Water Purification Plant produced 386,205,000 gallons. In July 447,592,000 gallons of water was pumped to the system for an average daily flow of 14.44 million gallons of water a day. The peak day in 2013 occurred on August 30th when 17,530,000 gallons was pumped to the system. On average nearly 11,000,000 gallons were delivered to our customers daily in 2013.

2013 started off with intensive training of all the new systems associated with the Council Point Water Purification Plant for both Purification and key Facilities & Grounds Department personnel. Since 1952 we operated a conventional lime softening water purification plant. Since Council Point uses integrated membrane processes, most of which was provided by General Electric Power & Water, all of our operations personnel received both desktop and hands-on training on the new equipment and systems including Ultra-Filtration, Reverse Osmosis, On-site hypochlorite generation, Plate Settler, Clean-In-Place, pumping equipment and the variety of instrument and controls. General Electric’s commissioning agent arrived in February to begin the commissioning process by testing control loops for the systems. Start-up of the plant began in earnest in the spring and the first potable water was delivered from Council Point to our customers on May 17, 2013. GE’s commissioning agent left in early July, turning the plant entirely over to the hands of Council Bluffs Water Works personnel. The training received on operations and equipment was then put to the test as plant operations ramped up.

Council Point is proving to be a great asset to the existing system by allowing more flexibility to meet increased demand during peak summer months. As demand increases during warm summer months, Council Point pumps can be ramped up to meet the increased demand. As the demand subsides, the pumps can be slowed down to build storage in the new clearwell at the facility. The clearwell is located on the north side of the plant and holds three million gallons of water. This works as a cushion or buffer for peak and low demands days.

In 2013 the Council Bluffs Water Works completed the third round of Unregulated Contaminant Monitoring Rule (UCMR) required by the United States Environmental Protection Agency (EPA). The UCMR program was developed in coordination with the Contaminant Candidate List (CCL). The CCL is a list of contaminants that are not regulated by the National Primary Drinking Water Regulations, however, the contaminants are known or anticipated to occur in public water supplies and may warrant regulation under the Safe Drinking Water Act at some future date. For the third round of monitoring EPA reviewed contaminants that had been targeted through existing prioritization processes, including previous UCMR contaminants and the Contaminant Candidate List (CCL). The EPA further prioritized the remaining contaminants based on more extensive health effects evaluations by the Office of Science and Technology. It is the EPA’s belief that the UCMR benefits the environment and public health by providing them and other interested parties with scientifically valid data on the occurrence of these contaminants in drinking water, permitting assessment of the population being exposed and the levels of exposure.

Drought conditions in the Missouri River Basin improved somewhat in 2013, but the Missouri River mainstem reservoir levels remained below normal due to the lingering effects of the 2012 drought. The Corps continued drought conservation measures throughout the year with Gavins Point releases in minimum support of navigation and winter releases reaching near record low levels. Overall, Missouri River water quality was good throughout the year with the exception of some late winter and early spring associated runoff.

2013 Water Quality Facts and Figures

Total Gallons Pumped to System	3,951,221,000
Average Gallons Pumped to System (daily)	10,825,000
Maximum Gallons Pumped to System (single day)	17,530,000
Average Gallons Used Per Person Per Day	173

Source of Water	Missouri River & Missouri River Alluvium
Finished Water Chemical Analysis	
pH	9.3 (units)
Alkalinity	58 (ppm)
Hardness	154 (ppm)
Calcium	95 (ppm)
Magnesium	58 (ppm)
Non-Carbonate Hardness	96 (ppm)
Total Chlorine	2.1 (ppm)
Fluoride	0.68 (ppm)
Turbidity	0.06 (NTU)
Annual Average Temperature (Fahrenheit)	56 degrees

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

Narrows Water Purification Plant

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
Lime	1,967.4	\$316,746
Soda Ash	134.4	42,214
Ferric Sulfate	196.9	106,300
Liquid Chlorine	71.0	59,485
Sodium Silicofluoride	8.6	8,746
Polymer	9.3	9,804
Anhydrous Ammonia	8.3	13,565
Sodium Chlorite	12.9	23,266
Powder Activated Carbon	6.8	10,093
Sodium Hexametaphosphate	4.5	9,607
Potassium Permanganate	1.6	<u>6,530</u>
Total Water Treatment Chemical Cost		<u>\$606,356</u>

Council Point Water Purification Plant

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
MDC700 Antiscalant	11.5	\$31,283
Aqueous Ammonia	3.8	2,461
Citric Acid	7.7	12,542
Hydrofluosilicic Acid	5.4	3,889

Hydrochloric Acid	89.3	29,909
Ortho-polyphosphate	1.4	2,405
Kleen MCT - 105, Low pH	2.3	21,944
Kleen MCT - 405, High pH	4.2	25,522
Sodium Bisulfite	4.2	3,555
Sodium Hydroxide	144.3	49,054
Sodium Permanganate	29.3	73,387
Sodium Chloride	28.4	<u>4,547</u>
Total Water Treatment Chemical Cost		<u>\$260,498</u>

DISTRIBUTION DEPARTMENT

The Distribution Department is responsible for the maintenance and operation of all underground facilities in the water distribution system and fire hydrants, including nearly 297.83 miles of water main, 7,933 valves and 2,917 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 2013, the Distribution Department continued with the leak survey of our entire system, maintained all fire hydrants and painted 307 hydrants as part of our annual hydrant maintenance program. To date, 2,204 fire hydrants have been painted. Additionally, our personnel responded to 141 emergency call-outs throughout the year during all hours and weather conditions to ensure continued water service to our customers.

The Distribution Department's water main replacement efforts this year continued in support of city street and sewer replacement projects. Water mains were also added in new developments. Department personnel repaired approximately 2,687 square yards of Portland Cement Concrete (PCC) paving. 170 square yards of additional (PCC) paving and 1,440 square yards of asphalt overlay was installed by various contractors.

This year the department:

- Made 101 small taps, and 19 purification taps
- Checked 245 service leaks
- Turned on/off 89 services
- Repaired 44 service lines and 134 curb boxes
- Replaced 27 services from the main to stop box
- 19 services were moved for construction by Water Works personnel
- 91 services were connected by contractors
- Killed 71 services at the main and 12 at the curb stop
- Answered 6,919 requests for service line or main location
- Turned 552 large valves, rebuilt 5, replaced 30 and added 4 new valves
- Installed 25 additional valves with Water Works mains
- Repaired 54 main leaks, moved 18 water mains, and repaired 11 hydrant branch leaks
- Repaired 31 valve boxes
- Made 10 large taps (4 inches and above)
- Removed 17 fire hydrants from service which were obsolete, damaged or for main replacement
- 14 Hydrants were replaced by Water Works personnel
- Hydrants painted and domes color coded by an outside contractor 307
- Hydrants were listened to while performing leak survey 3,122
- Hydrant flow tested 327
- Checked 2,609 hydrants
- Repaired 96 hydrants
- Relocated 7 hydrants

Scooped snow from 1 hydrant
Flushed 519 hydrants
Thawed out 23 fire hydrants

Observed installation of 3,917 feet of new mains installed by contractors.

Mains installed by the Distribution Department were:

138 feet of 1.5 - inch main
3 feet of 4 - inch main
123 feet of 6 - inch main
1,138 feet of 8 - inch main
34 feet of 10 - inch main
383 feet of 12 - inch main
18 feet of 16 - inch main
24 feet of 24 - inch main

Mains installed by contractors were:

59 feet of 6 - inch main
1,427 feet of 8 - inch main
2,394 feet of 12 - inch main
23 feet of 16 - inch main
14 feet of 36 - 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 2013, the Meter Department continued to upgrade and exchanged 222 water meters as part of our meter replacement program. While continuing to maintain and upgrade the Water Works' 22,000 plus water meters, we installed an additional 301 radio read meters to improve meter reading efficiency.

In addition to the meter exchanges this year the department:

Replaced 139 dead meters
Removed 39 meters for demolition
Repaired 83 leaking meters
Replaced 74 frozen meters
Installed 223 touch pads
Installed 301 radio reading devices
Exchanged 130 radio reading devices
Exchanged 261 radio reading batteries
Set 116 new addresses with meters
Set 12 new addresses with large meters
Exchanged 118 small meters
Exchanged 13 large meters
222 meters were exchanged for the Meter Exchange Program
224 notes were left to exchange meter
265 meters were tested for accuracy or malfunction
Wired 114 new construction homes
Rewired 87 existing customer homes
Monitored 716 new construction homes
Checked 53 homes for low water pressure

Surveyed 9 account for leaks
Set and Removed 166 Hydrant Meters
Performed 3,080 final readings
Read 3,574 RMMS (Reading Meter Management System)
Researched 185 high bill orders
Verified 95 meter readings
832 notes were left to read the meter
Turned on 641 delinquent accounts for Customer Service
3,907 cards were left for delinquent accounts
Turned on 1,546 water services
Turned off 924 water services
Inspected 51 Pump Stations
Inspected 1 water main leaks
Inspected 16 service leaks
Inspected 109 Fire Hydrants
55 bi-monthly meter routes were read 330 times and 4 monthly meter routes were read 48 times
There were 141,375 meter readings

FACILITIES & GROUNDS DEPARTMENT

The Facilities and Grounds Department is responsible for the maintenance of all facilities, equipment, buildings and grounds, including the Narrows Water Purification Plant, Administration Building, five (5) Booster Pump Stations, four (4) Ground Storage Reservoirs, five (5) Elevated Storage Tanks and the new Council Point Water Purification Plant property and facilities. The eleven (11) locations account for approximately 200 acres of land spread throughout the city. The Facilities and Grounds crew takes pride in maintaining the appearance of all Water Work's properties and facilities.

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

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

Capital Improvements project included replacement of motors and starters for three Booster Pump Stations and the river Intake Structure.

Power and fuel are essential to our operations. It took 4,787,757 kWh of electricity at a cost of \$215,210.98 to process and distribute nearly four billion gallons of water. We also used 17,252 gallons of lead free gasoline at a cost of \$52,268.49 and 11,201 gallons of red diesel fuel at a cost of \$36,398.25 to fuel the Water Works fleet. We used 8,299 Thousand Cubic Feet (MCF) of natural gas at a cost of \$24,031.75 to heat our buildings and structures.

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

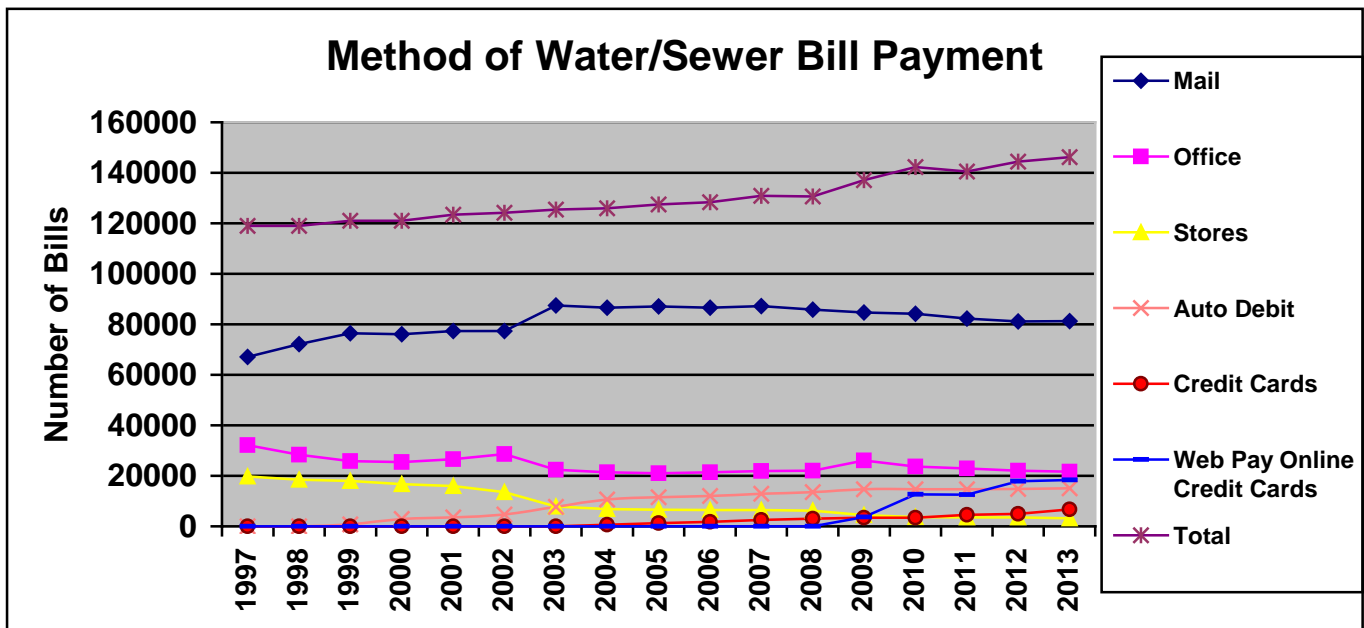
Our Customer Service Representatives do an excellent job helping the Water Works customers with their questions about their bills, turning on/off services, signing up for service and paying bills whether it is by telephone or in person. If Customer Service needs to send a Service Representative to the customer's location they prepare and print off a service order for the Meter Department and process the service orders when they are completed.

In 2013, the Customer Service Department mailed out 137,418 water bills, and sent 37,842 reminder notices and 19,790 shut-off notices to customers. There were 146,195 payments processed. There were 15,049 automatic bank payments. There were 7,106 service orders processed for final readings, high bills, dead meters, or to install new meters. There were 681 meters installed or replaced. Customer Service Representative made 1,700 payment arrangements with customers. 1,200 water bills were paid on the day of shut-off and 1,323 services were discontinued for non-payment.

There were 212 returned checks that had to be collected from customers. 4,085 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 6,728 credit card payments and 18,299 online web credit card payments.

The Accounting Department processed \$15,512,675.86 in receipts and payments in 2013, 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. The Accounting Department prepares monthly reports for the Board and other departments. The most recent audit found no irregularities or deficiencies in accounting practices and procedures.



GENERAL INFORMATION

The Council Bluffs Water Works has 21,600 active service accounts: 19,773 residential; 1,827 are commercial or industrial.

Last year, total production was 3,951,221,000 gallons.

Residential customers consumed 1,114,979,272 gallons in 2013. The average residential customer used 56,389 gallons at a cost of \$227.70 per year or \$18.98 per month.

Our top ten customers consumed 1,185,069,116 gallons, 30% of total production.

SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA

640 outside-City customers paid \$651,194.00 for 192,745,388 gallons of water.

The City of Crescent paid \$49,963.50 for 20,397,960 gallons of water.

Regional Water paid \$112,248.86 for 41,617,972 gallons of water.

In total, outside City customers paid \$813,406.36 for 254,761,320 gallons of water. This represents 8.6% of metered water sales and 6.4% of total water production.

SERVICES PROVIDED TO THE CITY OF COUNCIL BLUFFS, IOWA

The Council Bluffs Water Works provided 61,436,980 gallons of water to the City free of charge, having a value of \$166,254.58. Also, on behalf of the City, the Council Bluffs Water Works collected \$4,881,723.20 in sewer use fees.

TOP TEN CUSTOMERS

<u>2013 Rank</u>		<u>2012 Rank</u>
1.	ConAgra Frozen Foods	1
2.	Griffin Pipe Products	5
3.	Bunge Corporation	3
4.	MidAmerican Energy Co.	2
5.	Google, Inc. (Council Bluffs)	6
6.	Tyson Foods, Inc.	7
7.	City of Council Bluffs	4
8.	Plumrose USA, Inc	8
9.	Iowa Western Community College	9
10.	Regional Water	unranked

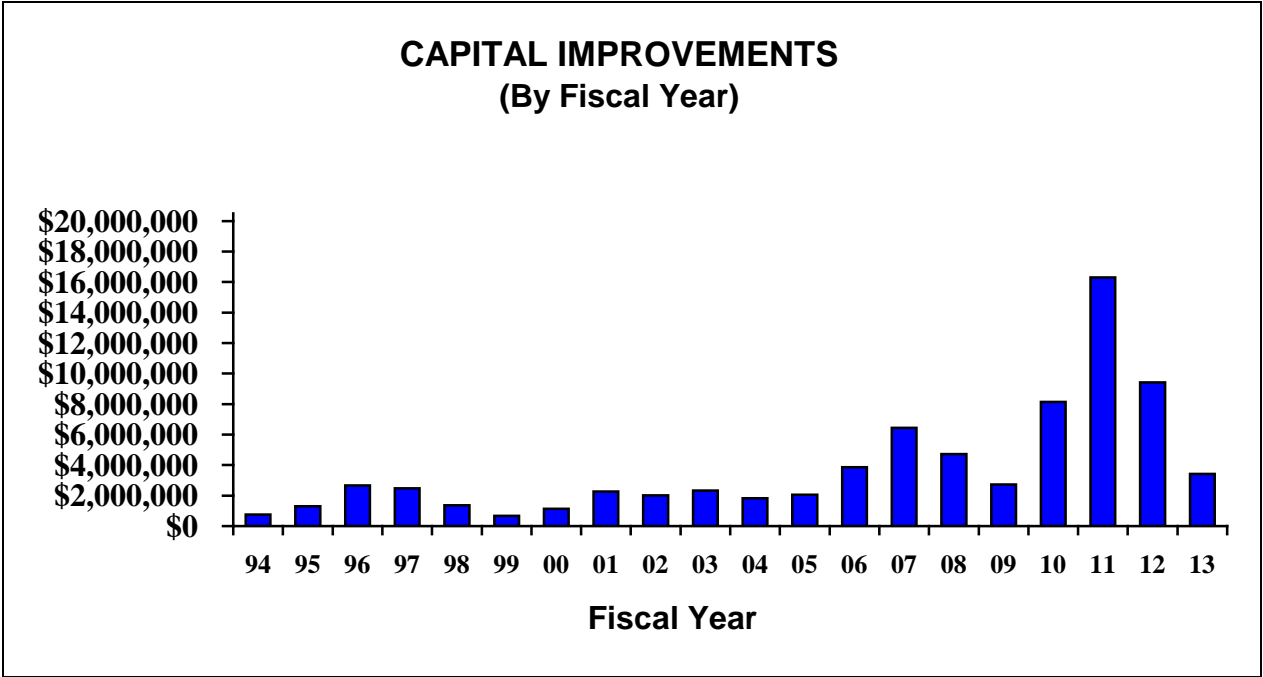
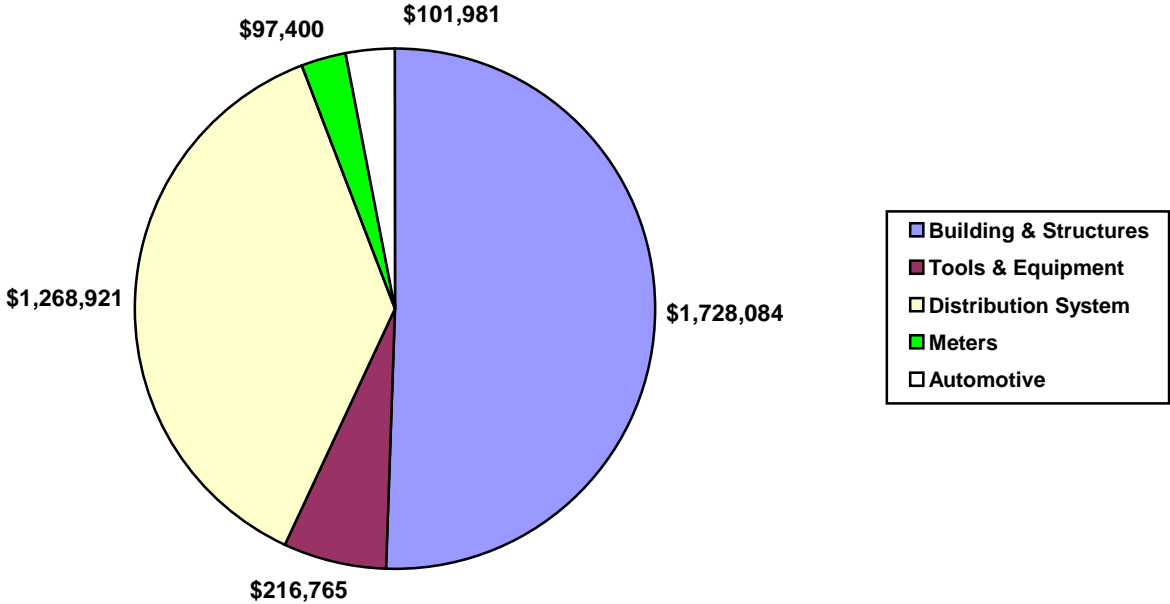
The Council Bluffs Water Works has 297.83 miles of water mains consisting of:

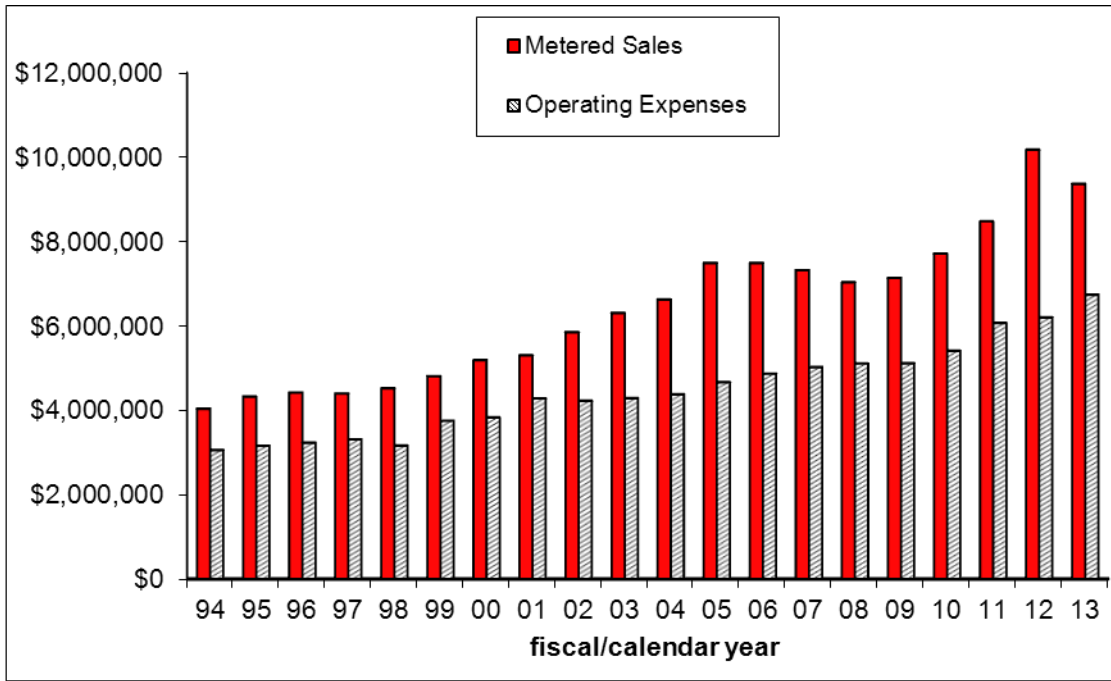
1-inch main	3,192	feet
1 ¼ -inch main	310	feet
1 ½-inch main	138	feet
2-inch main	1,054	feet
4-inch main	50,145	feet
6-inch main	604,267	feet
8-inch main	322,540	feet
10-inch main	154,963	feet
12-inch main	216,514	feet
16-inch main	163,616	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	13,638	feet
36-inch main	8,995	feet

Number of Hydrants: 2,917

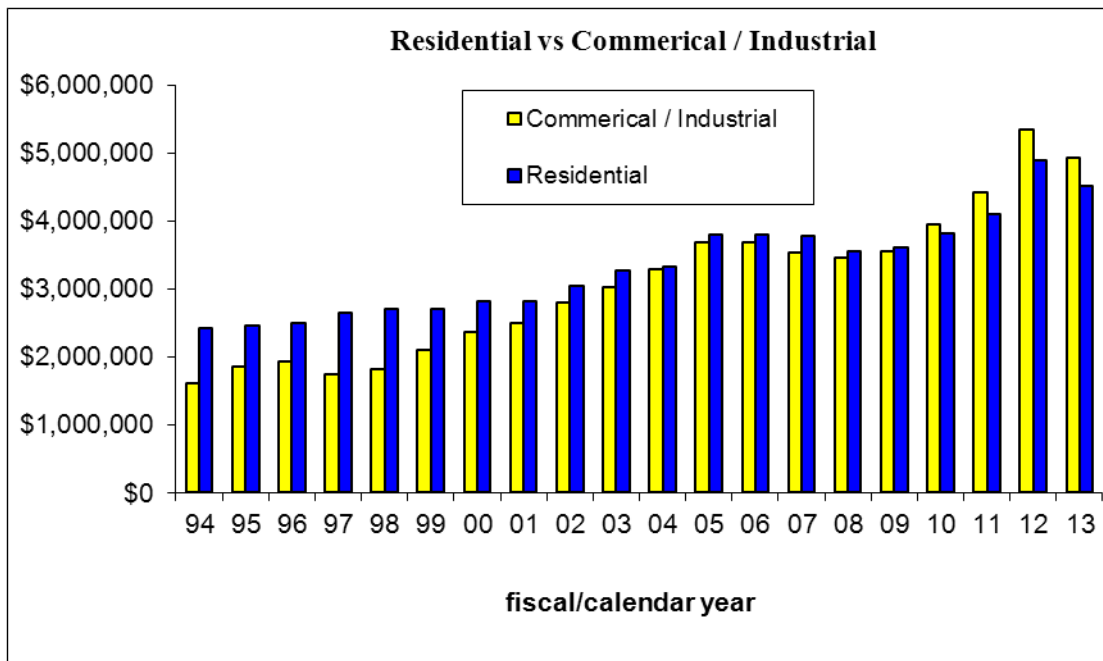
Number of Valves: 7,933

**2013 CAPITAL IMPROVEMENTS
TOTAL \$3,413,151**





METERED SALES vs OPERATING EXPENSES



WATER REVENUE

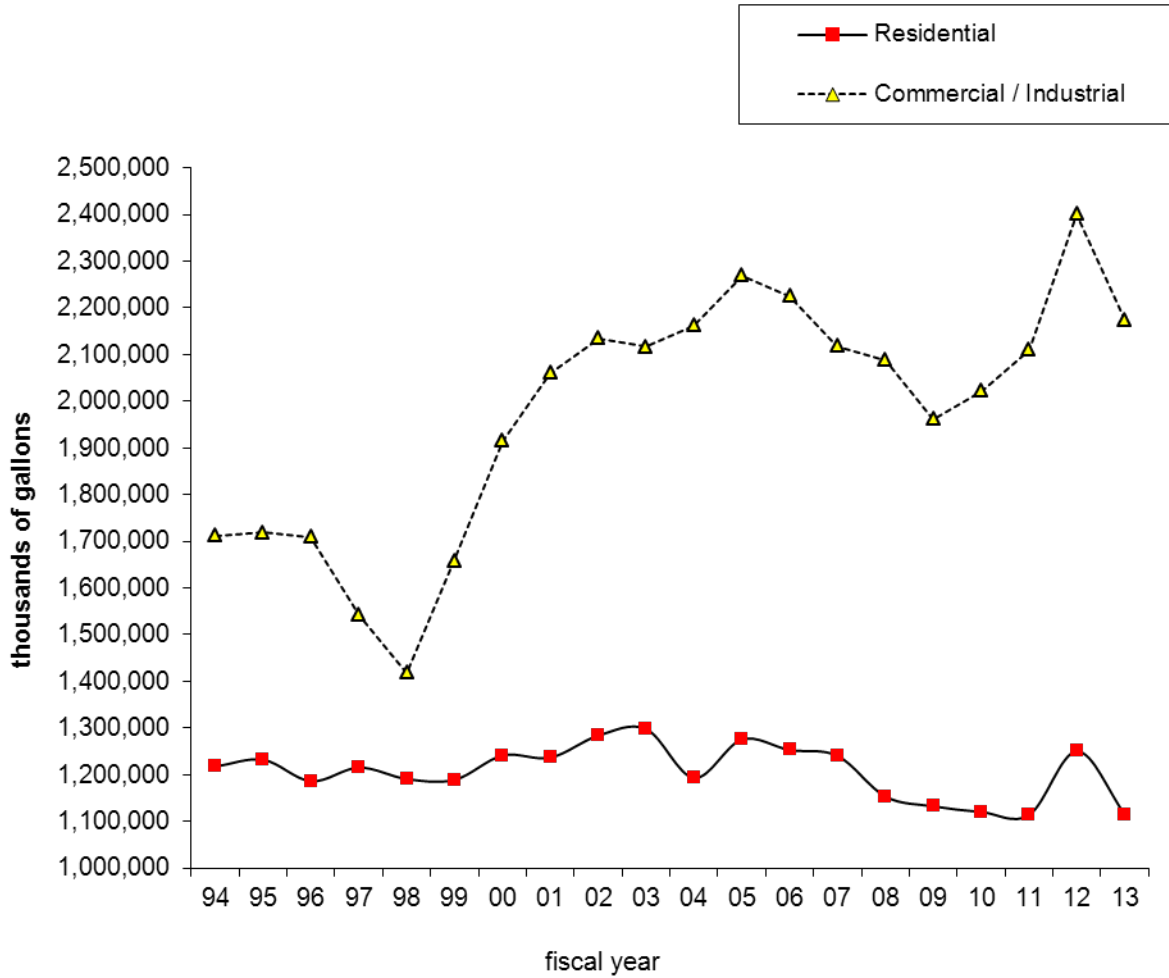
**COUNCIL BLUFFS WATER WORKS
PUMPAGE & METERED CONSUMPTION
(1,000'S Gallons)
2013**

<u>MONTH</u>	<u>PUMPAGE TOTAL</u>	<u>METERED CONSUMPTION TOTAL</u>	<u>CONSUMPTION COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	290,942	222,456	139,972	82,484
February	258,350	220,888	143,459	77,429
March	288,437	213,660	134,706	78,954
April	279,911	231,913	153,698	78,215
May	318,040	246,394	165,736	80,658
June	361,860	278,286	189,130	89,156
July	447,592	346,981	253,339	93,642
August	445,470	393,990	251,624	142,366
September	384,477	359,575	244,894	114,681
October	327,131	309,430	196,063	113,367
November	284,145	248,573	163,750	84,823
December	285,786	216,512	137,308	79,204
Totals 2013	3,972,141	3,288,658	2,173,679	1,114,979
Ratio		82.8%	54.7%	28.1%
Totals 2012	4,272,231	3,651,637	2,401,338	1,250,299
Ratio		85.5%	56.2%	29.3%
Totals 2003	3,969,208	3,414,842	2,117,044	1,297,798
Ratio		86.0%	53.3%	32.7%

**COUNCIL BLUFFS WATER WORKS
METERED SALES (\$)
2013**

<u>MONTH</u>	<u>TOTAL</u>	<u>COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	662,602	324,045	338,557
February	655,474	330,975	324,499
March	649,251	321,307	327,944
April	670,720	343,391	327,329
May	717,445	383,950	333,495
June	795,268	431,705	363,563
July	924,219	547,597	376,622
August	1,105,425	564,055	541,370
September	991,802	547,302	444,500
October	885,845	439,624	446,221
November	720,273	373,167	347,106
December	651,345	320,184	331,161
Totals 2013	9,429,669	4,927,302	4,502,367
Ratio		52.3%	47.7%
Totals 2012	10,230,602	5,350,237	4,880,365
Ratio		52.3%	
Totals 2003	6,295,427	3,025,429	3,269,998
Ratio		48.1%	51.9%

RESIDENTIAL VERSUS COMMERCIAL / INDUSTRIAL WATER USAGE



HISTORY

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

GENERAL DESCRIPTION OF SYSTEM OPERATIONS

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

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

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

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

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

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

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

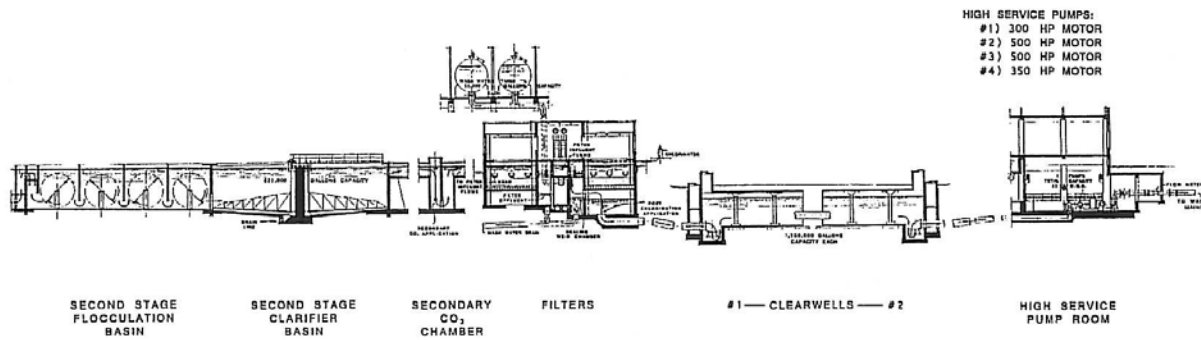
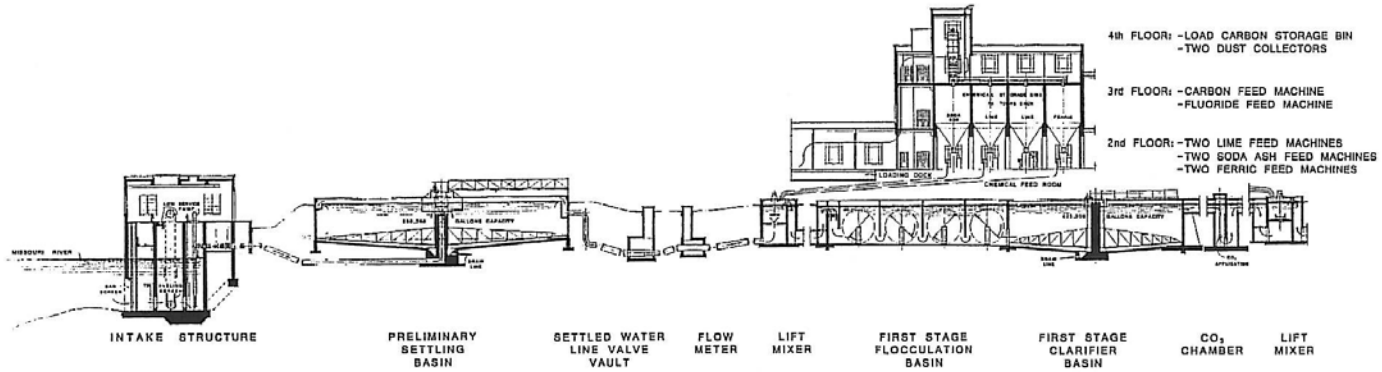
The distribution system has three pressure zones. The first zone is the flat (western and southern) sections of the city and is served by three 2 million gallon reservoirs and one 3 million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the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

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

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

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

WATER TREATMENT PROCESS



COUNCIL BLUFFS CITY WATER WORKS

FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Council Bluffs City Water Works' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Council Bluffs City Water Works, as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and the budgetary comparison information* on pages 1-4 and 16-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2014 on our consideration of the Council Bluffs City Water Works internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council Bluffs City Water Works internal control over financial reporting and compliance.

Hamilton Associates, P.C.

Council Bluffs, Iowa
April 9, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2013

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, 2013. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Water Works' operating revenues decreased 13.22% or \$1,595,192 from calendar year 2012 to 2013.
- ◆ The Water Works' operating expenses increased by 5.75% or \$521,992, in calendar year 2012 to 2013.
- ◆ The Water Works' net position increased 0.19% or \$78,429, from December 31, 2012 to December 31, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Water Works financial activities.

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

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2013

FINANCIAL ANALYSIS

Statements of Net Position

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

The largest portion of the Water Works' net position 89.5% is the investment in capital assets (building and structures, furniture and fixtures, tools and equipment, distribution system, meters and automotive equipment), less the related debt. The restricted portion of the net position 0.63% includes resources that are subject to restrictions. The remaining net position 9.87% is the unrestricted position that can be used to meet the Water Works' obligations as they come due.

Statements of Net Position		
December 31, 2013 and 2012		
	<u>2013</u>	<u>2012</u>
Current assets	\$ 6,218,595	\$ 6,539,396
Restricted assets	1,210,589	4,401,205
Capital assets	68,139,141	67,377,805
Total assets	\$ 75,568,325	\$ 78,318,406
Current liabilities (payable from current assets)	\$ 3,440,982	\$ 2,381,657
Current liabilities (payable from restricted assets)	951,005	2,298,563
Revenue bonds payable	29,701,741	32,242,018
Total liabilities	\$ 34,093,728	\$ 36,922,238
Net Position		
Net investment in capital assets	\$ 37,118,400	\$ 33,915,472
Restricted	259,574	3,343,479
Unrestricted	4,096,623	4,137,217
Total net position	\$ 41,474,597	\$ 41,396,168

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2013

Statement of Revenues and Expenses

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

In calendar year 2013, operating revenues decreased by \$1,595,192 or 13.22%, due to the decrease in water sales. 2012 was an exceptionally high year for water sales due to the drought, additionally federal grant funds relating to the 2011 flooding were received in 2012, also increasing revenue for that year.

A summary of revenues and expense for the years ending December 31, 2013 and 2012 is presented below:

Statements of Revenues and Expenses		
Decmeber 31, 2013 and 2012		
Operating revenues		
Metered water sales	\$ 9,449,393	\$ 10,242,217
Rental	117,105	111,296
Other	904,955	1,713,132
	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 10,471,453</u>	<u>\$ 12,066,645</u>
Operating expenses		
Facilities and grounds	\$ 836,595	\$ 825,965
Inventory adjustment	(16,167)	(15,126)
Purification	1,552,835	1,239,244
Distribution and meter	1,392,337	1,333,609
Customer accounting	418,904	364,150
Administration and general	2,194,083	2,096,657
Pension and social security	382,638	350,904
Depreciation	2,831,468	2,875,298
	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 9,592,693</u>	<u>\$ 9,070,701</u>
Nonoperating revenues (expenses)		
Interest on investments	\$ 222,140	\$ 270,547
Interest expense	(1,212,857)	(1,140,436)
Loss on disposal of equipment	(4,807)	(22,737)
	<u> </u>	<u> </u>
Nonoperating revenues, net	<u>\$ (995,524)</u>	<u>\$ (892,626)</u>
Change in net position	<u>\$ (116,764)</u>	<u>\$ 2,103,318</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2013

Statement of Cash Flows

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

CAPITAL ASSETS

At December 31, 2013 the Water Works had \$112,183,740 invested in capital assets, net of accumulated depreciation of \$44,044,599. Depreciation expense totaled \$2,831,468 for calendar year 2013. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2013, the Water Works had \$31,020,741 debt outstanding. See Note 5 to the financial statements for more information.

ECONOMIC FACTORS

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

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

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

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

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

CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT

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

COUNCIL BLUFFS WATER WORKS

STATEMENTS OF NET POSITION

December 31, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash (Note 2)	\$ 3,934,253	\$ 4,305,286
Inventory	838,783	693,347
Receivables:		
Consumer accounts	999,966	1,118,572
Unbilled revenues	355,615	322,844
	<u>1,355,581</u>	<u>1,441,416</u>
Total receivables	\$ 1,355,581	\$ 1,441,416
Prepaid insurance	89,978	99,347
Restricted assets (Note 3)	1,210,589	4,401,205
	<u>7,429,184</u>	<u>10,940,601</u>
Total current assets	\$ 7,429,184	\$ 10,940,601
Property, plant and equipment, net (Note 4)	68,139,141	67,377,805
	<u>75,568,325</u>	<u>78,318,406</u>
	<u>\$ 75,568,325</u>	<u>\$ 78,318,406</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 444,309	\$ 250,962
Accrued wages and payroll taxes	32,641	44,378
Accrued compensated absences	208,308	169,428
Accrued interest payable	84,209	93,929
Retainage payable	1,266,216	14,065
Due to City of Council Bluffs	86,299	226,895
Current portion of long term debt (Note 5)	1,319,000	1,582,000
	<u>3,440,982</u>	<u>2,381,657</u>
Total current liabilities (payable from current assets)	\$ 3,440,982	\$ 2,381,657
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 681,400	\$ 662,950
Main extension escrow deposit	52,194	41,875
Accrued interest on consumer deposits	210,932	201,004
Construction costs payable	6,479	151,897
Retainage payable from restricted assets	-	1,240,837
	<u>951,005</u>	<u>2,298,563</u>
Total current liabilities (payable from restricted assets)	\$ 951,005	\$ 2,298,563
Long term debt (Note 5)	\$ 29,701,741	\$ 32,242,018
	<u>34,093,728</u>	<u>36,922,238</u>
Total liabilities	\$ 34,093,728	\$ 36,922,238
NET POSITION		
Net investment in capital assets	\$ 37,118,400	\$ 33,553,787
Restricted	259,584	3,343,479
Unrestricted	4,096,613	4,498,902
	<u>41,474,597</u>	<u>41,396,168</u>
Total net position	\$ 41,474,597	\$ 41,396,168
Total liabilities and net position	<u>\$ 75,568,325</u>	<u>\$ 78,318,406</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Metered water sales	\$ 9,449,393	\$ 10,242,217
Rental	117,105	111,296
Other	904,955	1,713,132
	<u> </u>	<u> </u>
Total operating revenues	\$ 10,471,453	\$ 12,066,645
	<u> </u>	<u> </u>
OPERATING EXPENSES		
Facilities and grounds	\$ 836,595	\$ 825,965
Inventory adjustment	(16,167)	(15,126)
Purification	1,552,835	1,239,244
Distribution and meter	1,392,337	1,333,609
Customer accounting	418,904	364,150
Administration and general	2,194,083	2,096,657
Pension and social security	382,638	350,904
Depreciation	2,831,468	2,875,298
	<u> </u>	<u> </u>
Total operating expenses	\$ 9,592,693	\$ 9,070,701
	<u> </u>	<u> </u>
Operating income	\$ 878,760	\$ 2,995,944
	<u> </u>	<u> </u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	\$ 222,140	\$ 270,547
Interest expense	(1,212,857)	(1,140,436)
Loss on disposal of equipment	(4,807)	(22,737)
	<u> </u>	<u> </u>
Nonoperating revenues, net	\$ (995,524)	\$ (892,626)
	<u> </u>	<u> </u>
Change in net position	\$ (116,764)	\$ 2,103,318
	<u> </u>	<u> </u>
NET POSITION - BEGINNING AS PREVIOUSLY STATED	41,396,168	\$ 39,658,033
Adjustment due to adoption of Governmental Accounting Standards Board Statement No. 65. (Note 10)	-	<u>(382,905)</u>
NET POSITION - BEGINNING AS RESTATED	-	\$ 39,275,128
	<u> </u>	<u> </u>
Contributions in aid of construction (Note 5)	195,193	17,722
	<u> </u>	<u> </u>
NET POSITION - END OF YEAR	\$ 41,474,597	\$ 41,396,168
	<u> </u>	<u> </u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 9,535,228	\$ 10,236,823
Cash received from other revenues	1,022,060	1,824,428
Cash paid to suppliers for goods and services	(3,807,428)	(3,470,476)
Cash paid to employees and on their behalf	(2,850,924)	(2,721,170)
(Payments) receipts for City sewer services net of collections	(140,596)	(104,827)
Net cash provided by operating activities:	<u>\$ 3,758,340</u>	<u>\$ 5,764,778</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of long term debt	\$ (4,336,000)	\$ (1,536,000)
Long term debt issued	1,532,723	3,910,003
Interest paid on long term debt	(1,184,482)	(1,100,438)
Interest paid on consumer deposits	(28,166)	(17,534)
Additions to property, plant, and equipment	(3,731,716)	(9,334,397)
Main extension escrow deposits	10,319	8,729
Contributions-in-aid of construction	195,193	17,722
Net cash provided by (used in) capital and related financing activities	<u>\$ (7,542,129)</u>	<u>\$ (8,051,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	222,140	270,547
Net cash provided by investing activities	<u>\$ 222,140</u>	<u>\$ 270,547</u>
NET INCREASE (DECREASE) IN CASH	\$ (3,561,649)	\$ (2,016,590)
CASH - BEGINNING OF YEAR	<u>8,706,491</u>	<u>10,723,081</u>
CASH - END OF YEAR	<u><u>\$ 5,144,842</u></u>	<u><u>\$ 8,706,491</u></u>
RECONCILIATION TO BALANCE SHEETS		
Cash	\$ 3,934,253	\$ 4,305,286
Cash included in restricted assets	1,210,589	4,401,205
	<u>\$ 5,144,842</u>	<u>\$ 8,706,491</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 878,760	\$ 2,995,944
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,831,468	2,875,298
Changes in assets and liabilities:		
(Increase) Decrease in inventory	(145,436)	(99,662)
(Increase) Decrease in receivables	85,835	(5,394)
(Increase) Decrease in prepaid insurance	9,368	(7,205)
Increase (Decrease) in accounts payable	193,348	65,183
Increase (Decrease) in salaries payable	(11,737)	11,966
Increase (Decrease) in accrued compensated absences	38,880	3,350
Increase (Decrease) in Due to City of Council Bluffs	(140,596)	(104,827)
Increase (Decrease) in consumer deposits	18,450	30,125
Net cash provided by operating activities	<u>\$ 3,758,340</u>	<u>\$ 5,764,778</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies

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

Reporting Entity:

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

Basis of Presentation:

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

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

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

Restricted – Use of net position is externally imposed.

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

Measurement Focus and Basis of Accounting:

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting – Continued:

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

Use of estimates:

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

Cash and Cash Equivalents:

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

Consumer Accounts Receivable:

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

Revenues:

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

Valuation of Inventories:

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

Contributions-in-Aid of Construction and Contributed Capital:

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies - Continued

Property, Plant and Equipment:

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

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

Accrued Compensated Absences:

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

New Accounting Pronouncements:

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes under Statement No. 61 include an increased emphasis on financial relationships between primary governments and other organizations, clarification of the requirements to blend component units, and clarification of reporting equity interests in legally separate organizations. Statement No. 61 was effective for the Utilities' December 31, 2013 financial statements; however, the adoption of this Statement did not have a material impact on the financial statements.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. That Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Statement No. 62 was effective for the Utilities' December 31, 2013 financial statements; however, the adoption of this Statement did not have a material impact on the financial statements.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. That Statement amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 was effective for the Utilities' December 31, 2013 financial statements; however, the adoption of this Statement did not have a material impact on the financial statements.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies - Continued

New Accounting Pronouncements – Continued:

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. That Statement amends the financial statement classification of certain items to now be included as deferred inflows and outflows. Statement No. 65 was effective for the Utilities' December 31, 2013 financial statements. The adoption of this Statement had a material impact on the financial statements. See Note 10 for additional information regarding prior period adjustments created by the adoption of this Statement.

Reclassifications:

Reclassification adjustments have been made to the 2012 financial statements to reflect the adoption of the above accounting pronouncements. These changes allow for comparability between the current and prior year financial statements, but do not materially affect the balances or results of operations.

Subsequent Events:

Subsequent events have been evaluated through April 9, 2014, which is the date the financial statements were available to be issued.

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, 2013 balance sheet including restricted cash and cash equivalents and investments:

Deposits:

At December 31, 2013, deposits consisted of demand deposits and certificates of deposits and had the following balances:

Book Balance	\$ 5,144,842
Bank Balance	\$ 5,082,915

Of the total deposits, \$255,000 was covered by federal depository insurance and \$4,827,915 was covered by pledged securities that are being held in the pledging bank's trust department in the Board's name in the form of a joint safekeeping receipt.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Consumer deposit fund cash	\$ 946,364	\$ 910,175
Sinking fund cash	-	37,539
Reserve fund investments	-	3,448,491
Build America Bond loan funds	5,000	5,000
Main extension deposit	<u>259,225</u>	<u>-</u>
	<u>\$ 1,210,589</u>	<u>\$ 4,401,205</u>

4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2013 and 2012 consisted of the following:

<u>Description</u>	<u>Useful Life in</u>	<u>2013</u>	<u>2012</u>
	<u>Years</u>		
Land	-	\$ 2,208,406	\$ 2,208,406
Building and Structures	20 - 40	13,334,521	13,403,529
Water Distribution System	20 - 40	51,696,510	50,516,789
Meters	25 - 40	1,519,810	1,362,642
Tools and Equipment	3 - 20	6,936,742	7,229,427
Automobiles and Trucks	5	1,352,575	1,338,633
Office Equipment	15	104,985	104,985
Work in Progress	-	<u>35,030,191</u>	<u>33,223,247</u>
		\$ 112,183,740	\$ 109,387,658
Less Accumulated Depreciation		<u>(44,044,599)</u>	<u>(42,009,853)</u>
		<u>\$ 68,139,141</u>	<u>\$ 67,377,805</u>

As of December 31, 2013, construction of the new water treatment facility was substantially complete. Total contracted costs for this facility was \$29,545,363. Total amount completed as of December 31, 2013 was \$29,620,463.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

5. Revenue Bonds

In 2010, the Water Works executed the final \$25 million of its \$35.353 million Water Revenue Bonds for construction of a second water treatment facility. The Water Revenue Bonds bear interest at 3.00% due in 2041. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2013 and 2012 the Water Works had drawn down \$35,353,000 and \$32,466,019, 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, 2013 and 2012.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2013 are as follows:

Years ended December 31,	Principal	Interest	Total Requirements
2014	\$ 1,319,000	\$ 930,622	\$ 2,249,622
2015	1,361,000	891,052	2,252,052
2016	1,403,000	850,222	2,253,222
2017	1,447,000	808,132	2,255,132
2018	1,493,000	764,722	2,257,722
2019 - 2023	8,208,000	3,122,511	11,330,511
2024 - 2029	9,592,000	1,810,851	11,402,851
2029 - 2033	5,633,679	431,550	6,065,229
2034 - 2036	<u>564,062</u>	<u>31,596</u>	<u>595,658</u>
	<u>\$ 31,020,741</u>	<u>\$ 9,641,258</u>	<u>\$ 40,661,999</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2013 and 2012

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

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

	Other Governments	Customers and Developers	Total
Balances at January 1, 2012	\$ 1,263,662	\$ 6,623,713	\$ 7,887,375
Contributions-in-aid of construction	-	17,722	17,722
Transfers – Depreciation of contributed property, plant and equipment	<u>(130,854)</u>	<u>(603,682)</u>	<u>(734,536)</u>
Balances at December 31, 2012	\$ 1,132,808	\$ 6,037,753	\$ 7,170,561
Contributions-in-aid of construction	102,911	92,282	195,193
Transfers – Depreciation of contributed property, plant and equipment	<u>(136,000)</u>	<u>(608,296)</u>	<u>(744,296)</u>
Balances at December 31, 2013	<u>\$ 1,099,719</u>	<u>\$ 5,521,739</u>	<u>\$ 6,621,458</u>

7. Retirement Systems

The Water Works contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Contribution and benefit provisions are established by state law and may only be amended by the state legislature. On July 1, 2012, the State increased the required contributions from 5.38% to 5.78% for the employee and from 8.07% to 8.67% for the employer. On July 1, 2013, the state increased the required contributions again to 5.95% for the employee and 8.93% for the employer. The Water Works' contributions to IPERS for the years ended December 31, 2013, and 2012 were \$228,372, and \$203,809, respectively, equal to the required contributions for each year.

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 its 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.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 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 \$236,800. 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, 2013 and 2012 was \$11,575 and \$12,600, respectively.

10. Restatement of Prior Period Financial Statements

The Water Works adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* during 2013. That Statement amends the financial statement classification of certain items to now be included as deferred inflows and outflows. The Water Works had previously recorded debt issuance costs as assets, and amortized the costs over the life of the debt. GASB Statement No. 65 requires that these costs be recognized as expense in the period incurred. This created a restatement of the 2012 financial statements as follows:

Statement of Net Postion at December 31, 2012

	Previously Reported	Increase (Decrease)	Restated
Capitalized costs, net	\$ 361,685	\$ (361,685)	\$ -
Total assets	<u>\$ 78,680,091</u>	<u>\$ (361,685)</u>	<u>\$ 78,318,406</u>
Net postion, January 1, 2012	39,658,033	(382,905)	39,275,128
Change in net postion 2012	<u>2,082,098</u>	<u>21,220</u>	<u>2,103,318</u>
Net postion, December 31, 2012	<u>\$ 41,757,853</u>	<u>\$ (361,685)</u>	<u>\$ 41,396,168</u>
Total liabilites and net position	<u>\$ 76,680,091</u>	<u>\$ (361,685)</u>	<u>\$ 76,318,406</u>

Statement of Revenue, Expenses and Changes in Net Position at December 31, 2012

	Previously Reported	Increase (Decrease)	Restated
Depreciation and amortization	<u>\$ 2,896,518</u>	<u>\$ (21,220)</u>	<u>\$ 2,875,298</u>
Change in net position	<u>\$ 2,082,098</u>	<u>\$ 21,220</u>	<u>\$ 2,103,318</u>

COUNCIL BLUFFS CITY WATER WORKS

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

Year Ended December 31, 2013

	<u>2013 Actual</u>	<u>2013 Budget</u>	<u>Budget Variance Favorable (Unfavorable)</u>
Operating revenues:			
Metered water sales	\$ 9,449,393	\$ 9,645,000	\$ (195,607)
Rental	117,105	113,800	3,305
Other	<u>904,955</u>	<u>566,000</u>	<u>338,955</u>
Total operating revenues	<u>\$ 10,471,453</u>	<u>\$ 10,324,800</u>	<u>\$ 146,653</u>
Operating expenses:			
Facilities and grounds	\$ 836,595	\$ 827,000	\$ (9,595)
Inventory adjustment	(16,167)	5,000	21,167
Purification	1,552,835	1,499,000	(53,835)
Distribution and meter	1,392,337	1,302,500	(89,837)
Customer accounting	418,904	395,700	(23,204)
Administration and general	2,194,083	2,370,800	176,717
Pension and social security	<u>382,638</u>	<u>411,760</u>	<u>29,122</u>
Total operating expenses	<u>\$ 6,761,225</u>	<u>\$ 6,811,760</u>	<u>\$ 50,535</u>
Operating income	<u>\$ 3,710,228</u>	<u>\$ 3,513,040</u>	<u>\$ 197,188</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 222,140	\$ 241,600	\$ (19,460)
Interest expense	(1,212,857)	(1,254,800)	41,943
Loss on disposal of equipment	<u>(4,807)</u>	<u>(5,000)</u>	<u>193</u>
Nonoperating revenues, net	<u>\$ (995,524)</u>	<u>\$ (1,018,200)</u>	<u>\$ 22,676</u>
Surplus (Deficit) from Operations	<u>\$ 2,714,704</u>	<u>\$ 2,494,840</u>	<u>\$ 219,864</u>
Debt Service	(4,336,000)	(4,336,000)	-
Capital Outlay	(3,731,716)	(5,045,000)	1,313,284
Bond Proceeds	<u>1,532,723</u>	<u>2,793,000</u>	<u>(1,260,277)</u>
Surplus (Deficit)	<u>\$ (3,820,289)</u>	<u>\$ (4,093,160)</u>	<u>\$ 272,871</u>
Reconciliation to statement of revenues and expenses:			
Budget Basis Deficit	\$ (3,820,289)		
Debt Service	4,336,000		
Capital Outlay	3,731,716		
Bond Proceeds	(1,532,723)		
Depreciation and Amortization	<u>(2,831,468)</u>		
Excess of revenues over expenses	<u>\$ (116,764)</u>		

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2013

1. Budgetary reporting

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget following required public notice and hearing. The budget is adopted on a budget basis which consists of accrual basis revenues and expenditures plus cash outlay for debt service and capital improvements and cash receipts of bond proceeds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. In 2013, there were no budget amendments and disbursements did not exceed the amount budgeted.

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

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

We have audited the financial statements of the Council Bluffs City Water Works as of and for the year ended December 31, 2013, and have issued our report thereon dated April 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hamilton Associates, P.C.

Council Bluffs, Iowa
April 9, 2014

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF FINDINGS

Years Ended December 31, 2013

I. OTHER FINDINGS RELATED TO STATUTORY REPORTING

- I-A-13 Certified Budget – We compared the Water Works disbursements for the twelve months ended December 31, 2013 with the published budget and found that disbursements did not exceed the amounts budgeted.
- I-B-13 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney general's opinion dated April 25, 1979 were noted.
- I-C-13 Travel Expense – No expenditures of funds for travel expenses of spouses of Water Works' officials or employees were noted.
- I-D-13 Business Transactions – During the course of our audit of Water Works as of December 31, 2013, we looked at many records substantiating disbursements. We noted no business transactions between the Water Works and Water Works' officials or employees.
- I-E-13 Bond Coverage – We reviewed the statutory provisions for surety bond coverage of Water Works' officials and employees. The City has an ordinance allowing the City to set bonding requirements for the Water Works. Resolution 83-475 sets the amount of surety bond coverage for board members at \$500 annually. Water Works maintains public officials' liability insurance, which sufficiently meets bond coverage requirements.
- I-F-13 Board Minutes – We noted no transactions that we believe should have been approved in the Board minutes but were not.
- I-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- I-H-13 Revenue Notes – No instances of non-compliance with the revenue bond and note requirements were noted.