

2014



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:

Top: Narrows Water Purification Plant and Bottom: Council Point Water Purification Plant

CHAIRMAN'S REPORT

On Saturday, May 3, 2014, the Council Bluffs Water Works held an open house and ribbon cutting for the new Council Point Water Purification Plant. It was a gorgeous day and wonderful occasion to showcase the Council Bluffs Water Works, its facilities and most importantly, the employees, staff and members of the Board. The Mayor and CB Ambassadors were on hand for the ribbon cutting ceremonies as well. Following acknowledgement and comments from Mayor Matt Walsh, Chamber President, Bob Mundt and CB Ambassador President, Memory Mescher, it was Carl Heinrich's and my honor to cut the ribbon. Immediately following, the doors to the plant were opened and over 100 people toured the state-of-the-art facility. Refreshments were served and water bottles were handed out to all to mark the occasion.

While the ribbon cutting was taking place, employees were also stationed at the Narrows Water Purification Plant, Administration Building and Distribution/Meter/Warehouse Complex at N. 25th Street for an open house there. While Council Point is our newest addition, the Water Works' N. 25th Street Campus is still the hub of our operations for conducting the business of the Water Works.

The open house provided a great opportunity to display the Narrows and Council Point Water Purification Plants, both engineering marvels in their own right. It also provided the perfect opportunity to show the public and our customers the importance of all our facilities and what it takes to provide to our customers high quality tap water. Thank you to all for making this day such a success.

A world class public water supply system is essential to a community's public health, public safety, economic development, and quality of life. The Board of Water Works Trustees and Water Works employees will meet any challenge to fulfill its obligation and mission to provide a safe, dependable and affordable supply of high quality tap 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 Quick Facts:

Turns ground water into high quality drinking water.

Currently providing around 2 million gallons daily, with a capacity to purify up to 5 million gallons a day.

Improves the reliability of the Council Bluffs potable (drinkable) water system.



State-of-the-Art Water Treatment Facility, Council Point Water Purification Plant



Council Point Water Purification Plant Open House Ribbon Cutting Ceremony, May 3, 2014

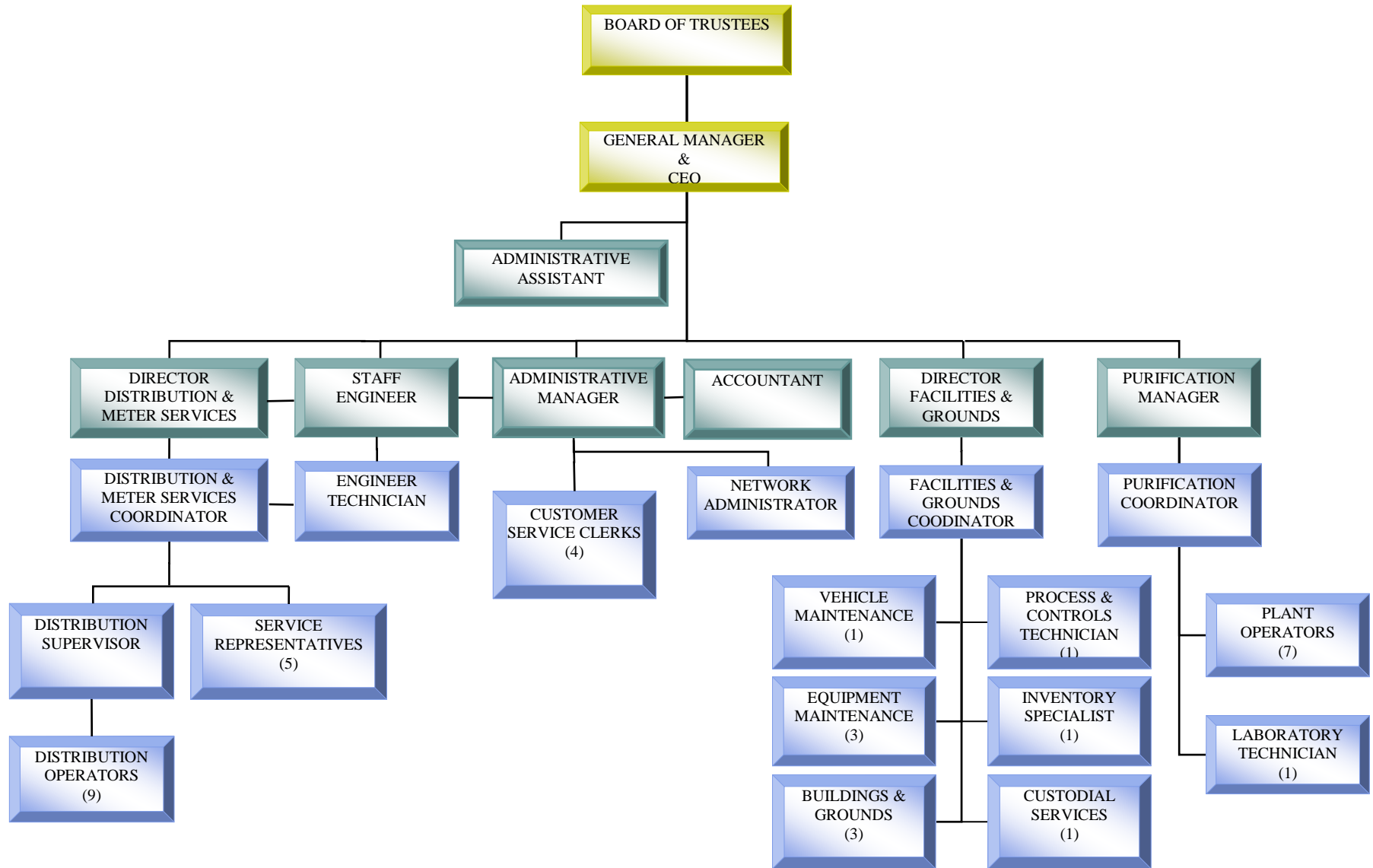
**2014
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 1,500 Cubic Feet	\$2.98	\$4.47
Next 28,500 Cubic Feet	\$2.17	\$3.26
Over 30,000 Cubic Feet	\$1.37	\$2.06

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/CCF)	Outside City (\$/CCF)
First 3,000 Cubic Feet	\$2.98	\$4.47
Next 57,000 Cubic Feet	\$2.17	\$3.26
Over 60,000 Cubic Feet	\$1.37	\$2.06

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
	Joseph S. Rhoades	Iowa Grade III Operator
	Brandon L. Wear	Iowa Grade II Operator
	Ian J. Cassidy	Iowa Grade II Operator
	Ketrick E. Dilworth	Iowa Grade II Operator
	Cody R. Weddon	Plant Operator

DISTRIBUTION & METER SERVICES DEPARTMENT

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

FACILITIES & GROUNDS DEPARTMENT

Director: --

Coordinator: Raymond P. Stevens Iowa Grade III Operator

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

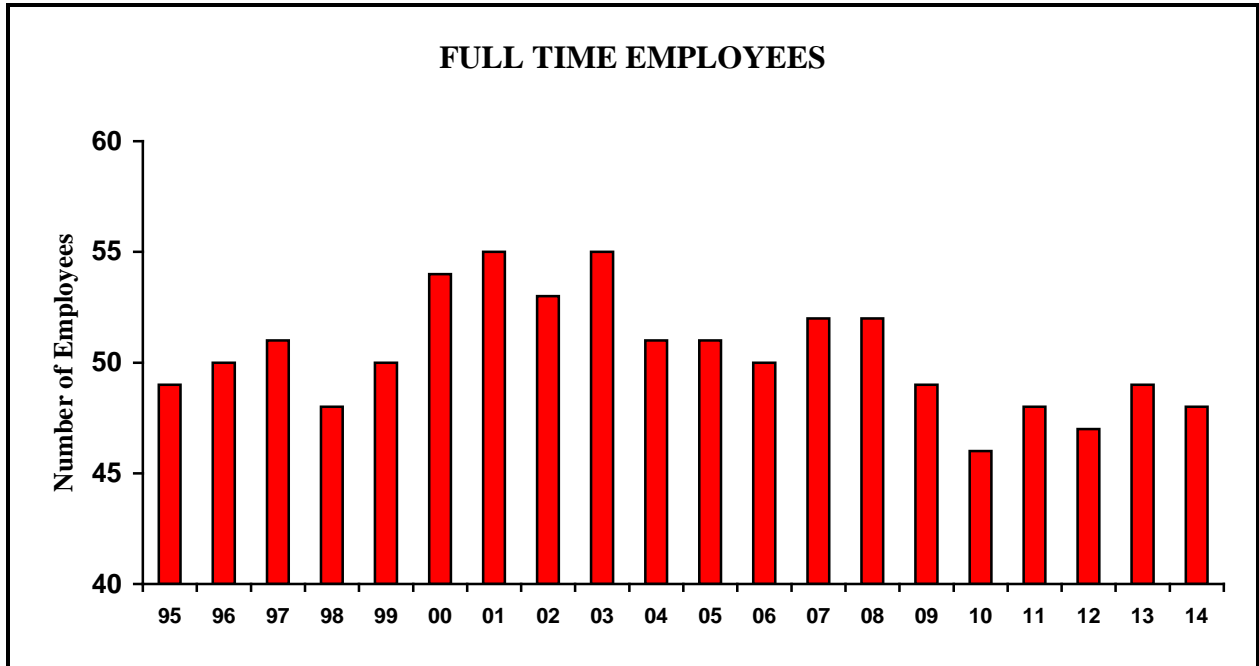
Personnel:
Mark P. Applegate
James L. Smith Jr.
Joseph A. Masker
Norman H. Sales Jr.
Shane E. Ruckman
Frank J. Bouska Jr.
Joseph J. Allan
Elden D. Tackett
Andrew D. Diller

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

Administrative Manager: Karen A. Wisniski

Systems Administrator: Bruce M. Riegel

Personnel:
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 3,769,728,000 gallons of potable water to its customers in 2014. The Narrows Water Purification Plant produced 2,930,978,000 gallons or an average of 8.030 million gallons per day in 2014. Council Point Water Purification Plant produced 838,750,000 gallons or an average of 2.298 million gallons per day in 2014. In July, 386,109,000 gallons of water was pumped to the system for an average daily flow of 13.11 million gallons of water a day. The peak day in 2014 occurred on July 31st when 15,610,000 gallons was pumped to the system.

In 2014, the Purification Department had a few personnel changes. Carolyn Hussein retired in August with 30 years of service to the Council Bluffs Water Works. Ben Brandes, Lab Technician resigned after six years to re-enlist in the military. Brandon Wear who was working as a Nightshift Operator filled the open Laboratory Technician position. In December, Brandon completed a microbiology course at Kirkwood Community College to become the Certified Laboratory Technician for the Council Bluffs Water Works. Cody Weddon was hired in September to fill an open Operator position within the department.

The Council Bluffs Water Works Certified Bacteriological Laboratory processed a total of 2,626 bacteriological samples in 2014. Of the samples processed, 1,797 were processed for the Council Bluffs Water Works, 479 were for other public water supplies, 142 were pool samples, and 208 were "Special Purpose" samples which consist of sampling taken following water main breaks to assure the integrity and bacteriological safety of our water supply. The Laboratory Technician collected 204 samples for disinfection by-product analysis, and 156 samples were for National Pollutant Discharge Elimination System (NPDES)/Sanitary Discharge Compliance. The Laboratory Technician also collected an additional 415 samples, of which 365 of them were collected from the distribution system and analyzed for more than 19 different parameters in our laboratory.

Annual runoff in 2014 was 35.0 million acre feet (MAF), which ranks the eleventh highest record in 118 years. The high runoff was the result of above normal mountain snowmelt runoff along with persistent summer rainfall in Montana and the Dakotas. Heavy rainfall events were encountered in the upper basin through late August which is a time of year when rainfall amounts historically subside. Reservoir releases were increased to ensure the full flood control storage zone would be available for the 2015 runoff season. System storage ended in 2014 at 56.4 MAF, 0.3 MAF above the base of the annual flood control zone.

2014 Water Quality Facts and Figures

Narrows Water Purification Plant

Total Gallons Pumped to System	2,930,978,000
Average Gallons Pumped to System (daily)	8,030,000
Maximum Gallons Pumped to System (single day)	11,020,000
Average Gallons Used Per Person Per Day	165
Source of Water	Missouri River & Missouri River Alluvium
Finished Water Chemical Analysis	
pH	9.3 (units)
Alkalinity	54 (ppm) (parts per million)
Hardness	156 (ppm)
Calcium	105 (ppm)
Magnesium	51 (ppm)
Non-Carbonate Hardness	103 (ppm)

Total Chlorine	2.16 (ppm)
Fluoride	0.63 (ppm)
Turbidity	0.07 (NTU) (Nephelometric Turbidity Units)
Annual Average Temperature (Fahrenheit)	55 degrees

Council Point Water Purification Plant

Total Gallons Pumped to System	838,750,000
Average Gallons Pumped to System (daily)	2,298,000
Maximum Gallons Pumped to System (single day)	5,050,000
Average Gallons Used Per Person Per Day	165
Source of Water	Missouri River Alluvium
Finished Water Chemical Analysis	
pH	7.5 (units)
Alkalinity	187 (ppm)
Hardness	145 (ppm)
Calcium	106 (ppm)
Magnesium	39 (ppm)
Total Chlorine	2.07 (ppm)
Fluoride	0.71 (ppm)
Turbidity	0.05 (NTU)
Annual Average Temperature (Fahrenheit)	57 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	1,755.0	\$300,983
Soda Ash	99.2	30,653
Ferric Sulfate	152.5	85,495
Liquid Chlorine	62.9	50,194
Sodium Silicofluoride	6.5	6,494
Polymer	7.9	7,742
Anhydrous Ammonia	7.1	11,644
Sodium Chlorite	5.5	9,900
Powder Activated Carbon	9.7	12,610
Sodium Hexametaphosphate	4.5	9,360
Potassium Permanganate	1.2	<u>4,632</u>
Total Water Treatment Chemical Cost		<u>\$529,707</u>

Council Point Water Purification Plant

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
MDC700 Antiscalant	15.8	\$ 47,716
Aqueous Ammonia	10.3	4,738
Citric Acid	6.8	7,684
Hydrofluosilicic Acid	9.5	6,935
Hydrochloric Acid	241.3	69,977
Ortho-polyphosphate	2.9	2,958
Kleen MCT - 105, Low pH	3.7	37,592
Kleen MCT - 405, High pH	4.4	21,472
Sodium Bisulfite	2.9	1,436
Sodium Hydroxide	275.7	69,288
Sodium Permanganate	43.7	72,542
Sodium Chloride	38.8	<u>6,208</u>
Total Water Treatment Chemical Cost		<u>\$348,546</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 298.56 miles of water main, 7,990 valves and 2,934 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 2014, the Distribution Department continued with the leak survey of our entire system, maintained all fire hydrants and painted 328 hydrants as part of our annual hydrant maintenance program. To date, 2,532 fire hydrants have been painted. Additionally, our personnel responded to 133 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 2,158 square yards of Portland Cement Concrete (PCC) paving, 220 square yards of additional (PCC) paving and 937 square yards of asphalt overlay was installed by various contractors.

This year the department:

- Made 73 small taps, and 16 purification taps
- Checked 364 service leaks
- Turned on/off 125 services
- Repaired 46 service lines and 157 curb boxes
- Replaced 9 services from the main to stop box
- 1 service was moved for construction by Water Works personnel
- 88 services were connected by contractors
- Killed 29 services at the main and 13 at the curb stop
- Answered 7,341 requests for service line or main location
- Turned 421 large valves, rebuilt 5, replaced 39 and added 15 new valves
- Installed 42 additional valves with Water Works mains
- Repaired 56 main leaks, moved 1 water main, and repaired 1 hydrant branch leak
- Repaired 31 valve boxes
- Made 11 large taps (4 inches and above)

Removed 18 fire hydrants from service which were obsolete, damaged or for main replacement
8 Hydrants were replaced by Water Works personnel
Hydrants painted and domes color coded by an outside contractor 328
Hydrants listened to while performing leak survey 2,612
Hydrant flow tested 279
Checked 3,070 hydrants
Repaired 129 hydrants
Relocated 1 hydrant
Flushed 544 hydrants
Thawed out 12 fire hydrants

Observed installation of 12,771 feet of new mains installed by contractors.

Mains installed by the Distribution Department were:

52	feet of 4	-	inch main
110	feet of 6	-	inch main
3	feet of 8	-	inch main
11	feet of 10	-	inch main
266	feet of 12	-	inch main
6	feet of 16	-	inch main

Mains installed by contractors were:

103	feet of 6	-	inch main
10,181	feet of 8	-	inch main
23	feet of 10	-	inch main
2,209	feet of 12	-	inch main
255	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 2014, the Meter Department continued to upgrade and exchanged 589 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 228 radio read meters to improve meter reading efficiency.

In addition to the meter exchanges this year the department:

Replaced 124 dead meters
Removed 13 meters for demolition
Repaired 86 leaking meters
Replaced 149 frozen meters
Installed 199 touch pads
Installed 228 radio reading devices
Exchanged 130 radio reading devices
Exchanged 268 radio reading batteries
Set 105 new addresses with meters
Set 8 new addresses with large meters
Exchanged 160 small meters
Exchanged 20 large meters
589 meters were exchanged for the Meter Exchange Program
387 notes were left to exchange meter

223 meters were tested for accuracy or malfunction
Wired 93 new construction homes
Rewired 90 existing customer homes
Monitored 659 new construction homes
Checked 39 homes for low water pressure
Surveyed 146 account for leaks
Set and Removed 221 Hydrant Meters
Performed 3,445 final readings
Read 3,311 RMMS (Reading Meter Management System)
Researched 197 high bill orders
Verified 196 meter readings
935 notes were left to read the meter
Turned on 715 delinquent accounts for Customer Service
4,208 cards were left for delinquent accounts
Turned on 1,397 water services
Turned off 968 water services
Inspected Pump Stations 80 times
Investigated 2 water main leaks
Investigated 59 service leaks
Inspected 103 Fire Hydrants
There were 143,261 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, Council Point Water Purification Plant, five (5) Booster Pump Stations, four (4) Ground Storage Reservoirs, and five (5) Elevated Storage Tanks. The eleven (11) locations account for approximately 217 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 \$864,812.00.

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.

Power and fuel are essential to our operations. It took 10,169,122 kWh of electricity at a cost of \$499,187.57 to process and distribute nearly four billion gallons of water. We also used 17,901 gallons of lead free gasoline at a cost of \$52,278.84 and 9,932 gallons of red diesel fuel at a cost of \$31,529.18 to fuel the Water Works fleet. We used 8,049 Thousand Cubic Feet (MCF) of natural gas at a cost of \$37,742.35 to heat our buildings and structures.

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

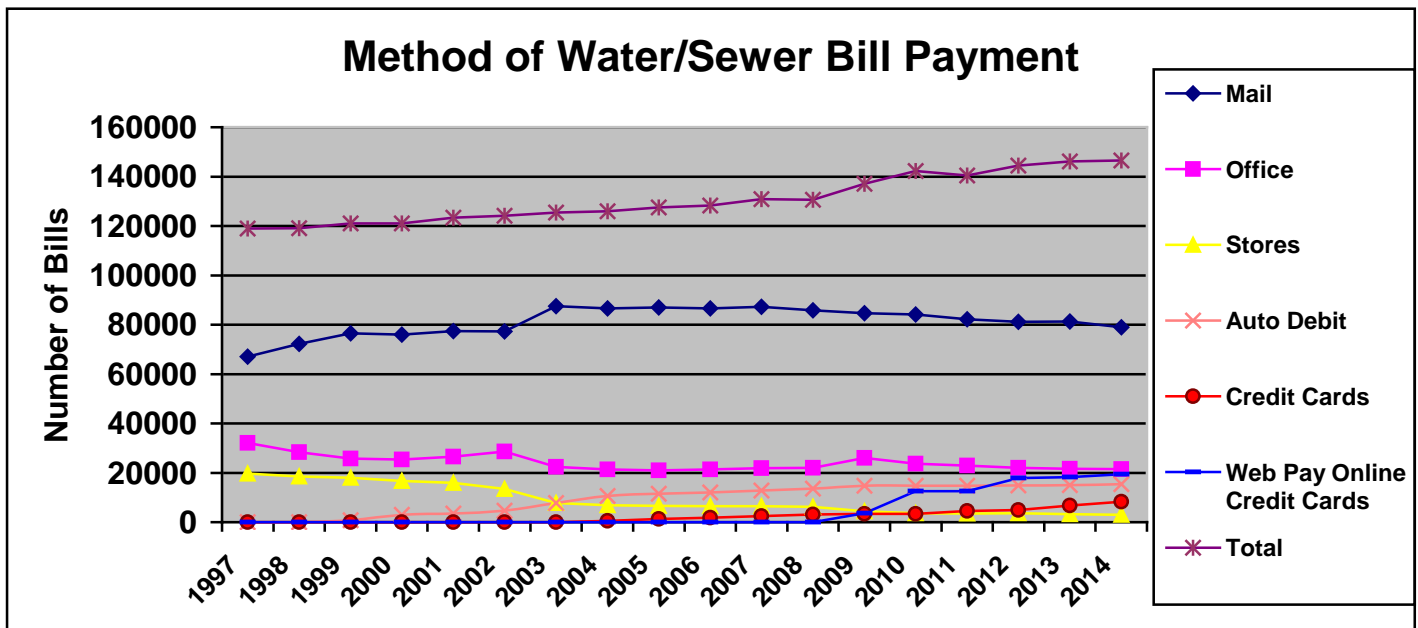
Our Customer Service Representatives do an excellent job helping the Water Works customers with their questions about their bills, turning on/off services, signing up for service and paying bills whether it is by telephone or in person. If Customer Service needs to send a Service Representative to the 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 2014, the Customer Service Department mailed out 137,040 water bills, and sent 35,245 reminder notices and 19,701 shut-off notices to customers. There were 146,498 payments processed. There were 15,445 automatic bank payments. There were 7,190 service orders processed for final readings, high bills, dead meters, or to install new meters. There were 1,135 meters installed or replaced. Customer Service Representative made 1,528 payment arrangements with customers. 1,037 water bills were paid on the day of shut-off and 1,234 services were discontinued for non-payment.

There were 164 returned checks that had to be collected from customers. 4,407 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 8,275 credit card payments and 19,393 online web credit card payments.

The Accounting Department processed \$15,336,455.55 in receipts and payments in 2014, 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 21,787 active service accounts: 19,965 residential; 1,822 are commercial or industrial.

Last year, total production was 3,769,728,000 gallons.

Residential customers consumed 1,051,804,688 gallons in 2014. The average residential customer used 52,682 gallons at a cost of \$226.75 per year or \$18.90 per month.

Our top ten customers consumed 1,216,746,168 gallons, 32% of total production.

SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA

639 outside-City customers paid \$652,121.28 for 185,435,184 gallons of water.

The City of Crescent paid \$47,127.70 for 18,082,900 gallons of water.

Regional Water paid \$128,483.88 for 45,005,664 gallons of water.

In total, outside City customers paid \$827,732.86 for 248,523,748 gallons of water. This represents 8.6% of metered water sales and 6.6% of total water production.

SERVICES PROVIDED TO THE CITY OF COUNCIL BLUFFS, IOWA

The Council Bluffs Water Works provided 42,249,284 gallons of water to the City free of charge, having a value of \$138,267.84. Also, on behalf of the City, the Council Bluffs Water Works collected \$4,689,173.90 in sewer use fees.

TOP TEN CUSTOMERS

<u>2014 Rank</u>		<u>2013 Rank</u>
1.	ConAgra Frozen Foods	1
2.	Google, Inc. (Council Bluffs)	5
3.	MidAmerican Energy Co.	4
4.	Bunge Corporation	3
5.	Tyson Foods, Inc.	6
6.	Plumrose USA, Inc.	8
7.	City of Council Bluffs	7
8.	Regional Water	10
9.	Iowa Western Community College	9
10.	Ameristar Casino	unranked

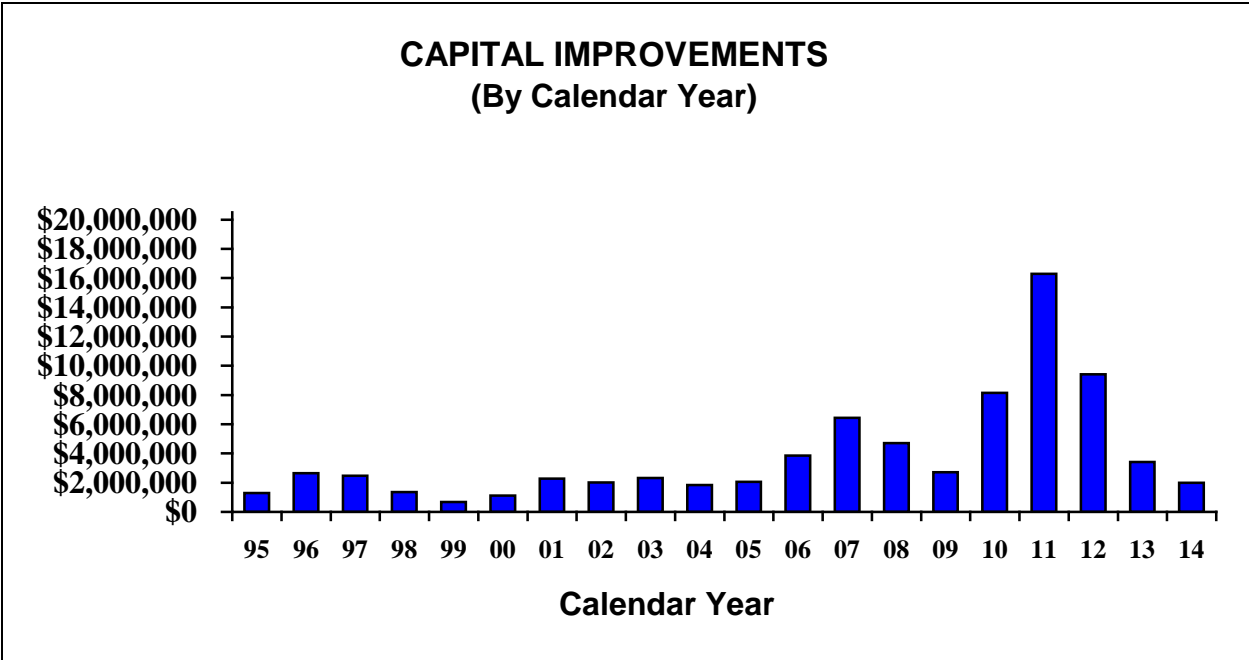
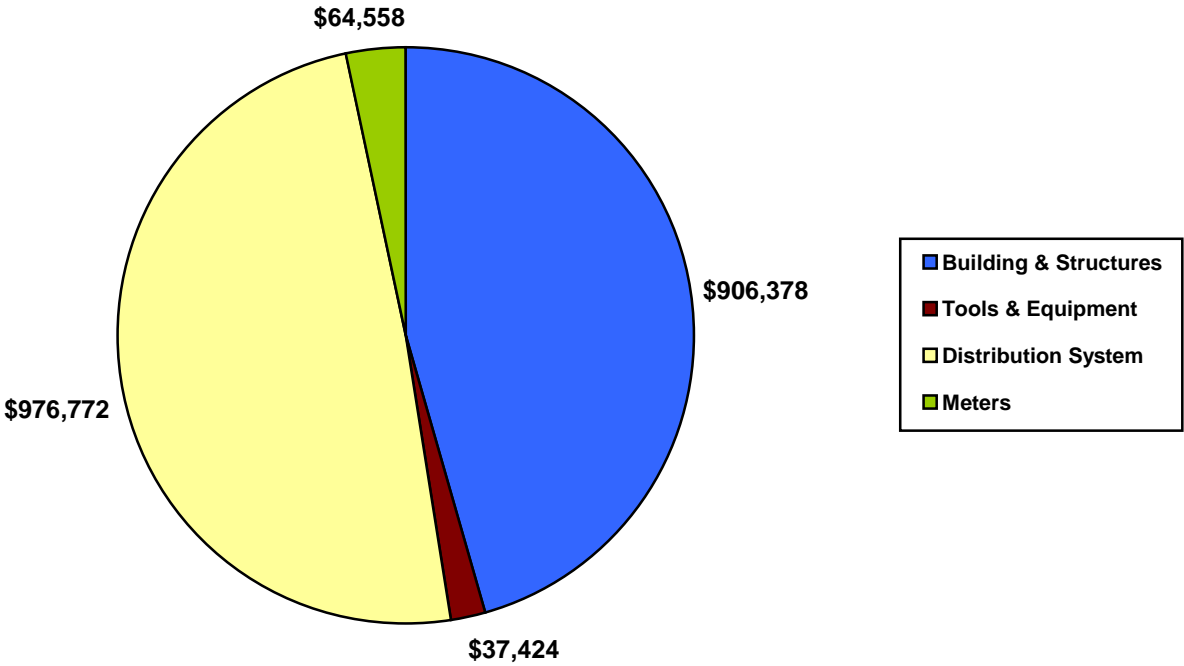
The Council Bluffs Water Works has 298.56 miles of water mains consisting of:

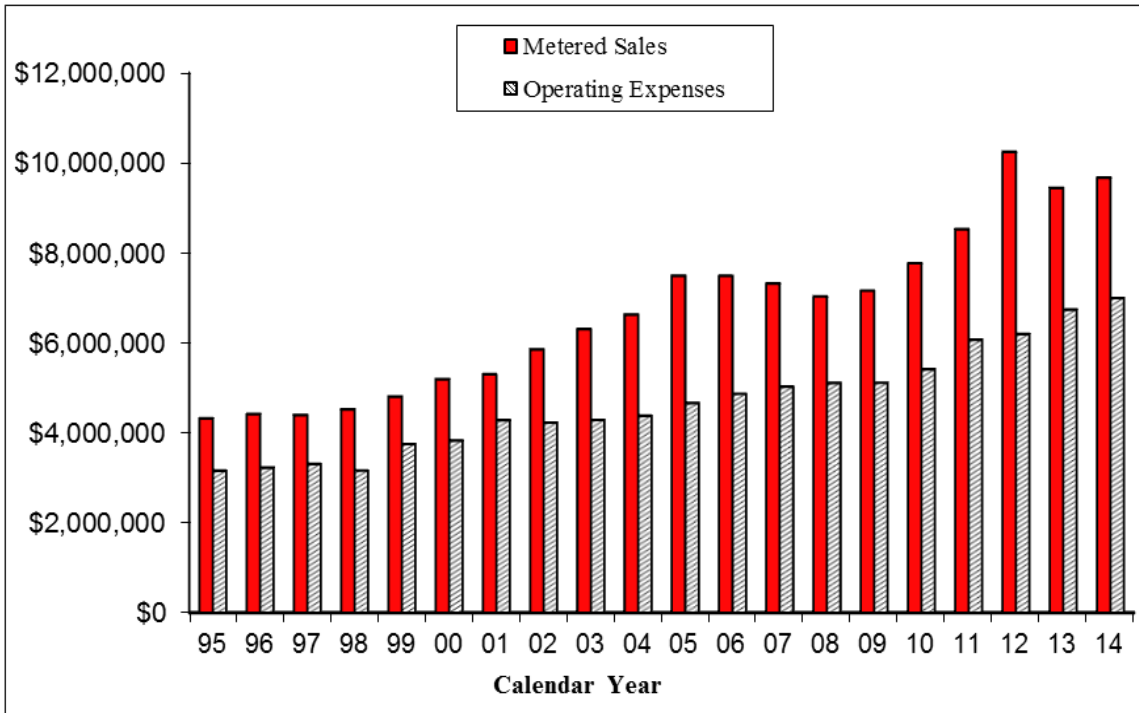
1-inch main	3,192	feet
1 ¼-inch main	310	feet
1 ½-inch main	138	feet
2-inch main	1,054	feet
4-inch main	48,374	feet
6-inch main	602,626	feet
8-inch main	327,429	feet
10-inch main	154,964	feet
12-inch main	218,621	feet
16-inch main	163,871	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	13,638	feet
36-inch main	8,995	feet

Number of Hydrants: 2,934

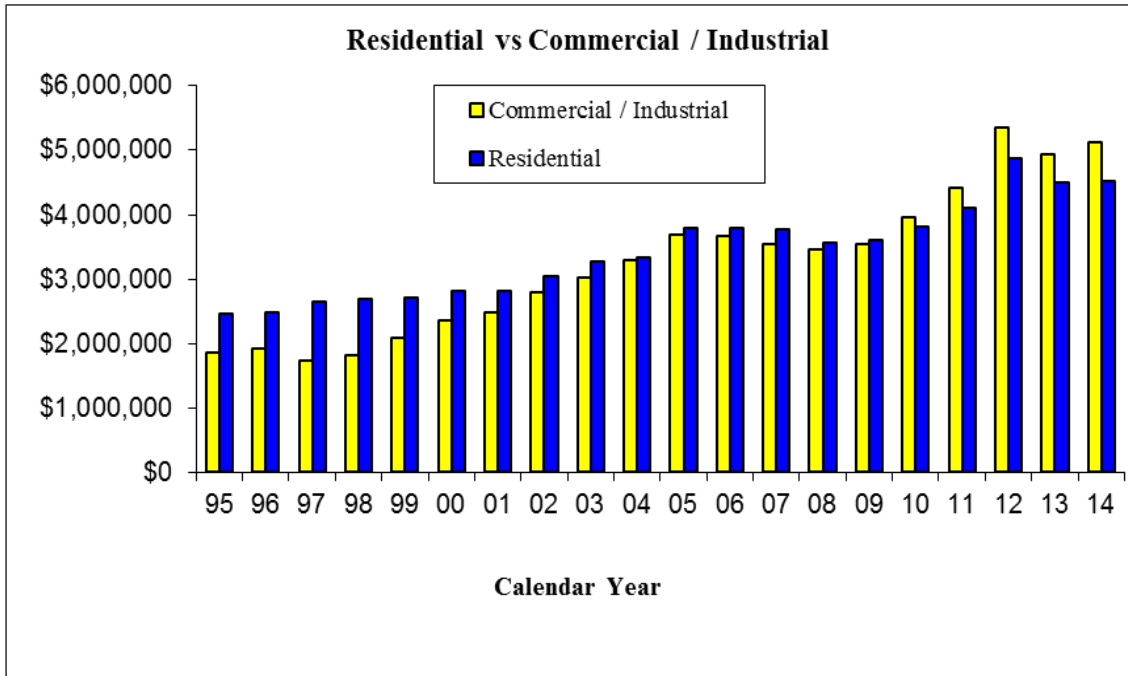
Number of Valves: 7,990

**2014 CAPITAL IMPROVEMENTS
TOTAL \$1,985,132**





METERED SALES vs OPERATING EXPENSES



WATER REVENUE

**COUNCIL BLUFFS WATER WORKS
PUMPAGE & METERED CONSUMPTION
(1,000'S Gallons)
2014**

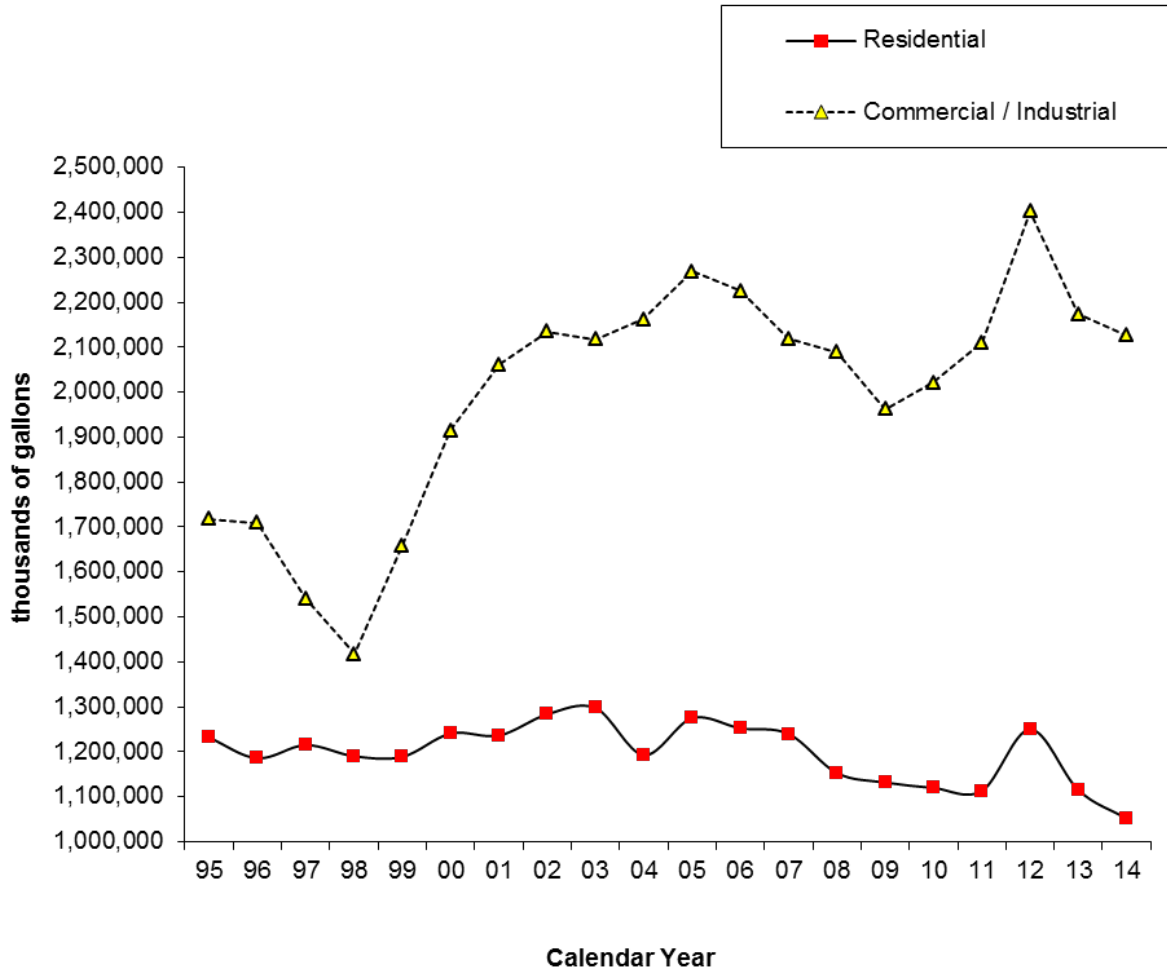
<u>MONTH</u>	<u>PUMPAGE TOTAL</u>	<u>METERED CONSUMPTION TOTAL</u>	<u>CONSUMPTION COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	280,800	224,869	143,879	80,990
February	260,319	221,239	137,421	83,818
March	291,783	213,875	134,432	79,443
April	293,113	246,713	168,508	78,205
May	341,864	274,859	194,290	80,569
June	342,266	290,974	194,825	96,149
July	386,109	294,665	210,278	84,387
August	373,689	359,791	242,154	117,637
September	323,835	297,485	199,818	97,667
October	312,910	288,255	196,093	92,162
November	278,240	224,686	143,972	80,714
December	284,800	239,823	159,760	80,063
Totals 2014	3,769,728	3,177,234	2,125,430	1,051,804
Ratio		84.3%	56.4%	27.9%
Totals 2013	3,951,221	3,288,658	2,173,679	1,114,979
Ratio		83.2%	55.0%	28.2%
Totals 2004	3,938,960	3,355,551	2,162,443	1,193,108
Ratio		85.2%	54.9%	30.3%

**COUNCIL BLUFFS WATER WORKS
METERED SALES (\$)
2014**

<u>MONTH</u>	<u>TOTAL</u>	<u>COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	691,065	357,164	333,901
February	683,958	337,400	346,558
March	688,658	338,775	349,883
April	750,113	400,839	349,274
May	817,422	465,456	351,966
June	879,326	466,788	412,538
July	891,019	502,783	388,236
August	1,043,162	563,436	479,726
September	893,657	483,477	410,180
October	861,703	465,962	395,741
November	712,628	359,395	353,233
December	746,341	390,448	355,893
Totals 2014	9,659,052	5,131,923	4,527,129
Ratio		53.1%	46.9%
Totals 2013	9,429,669	4,927,302	4,502,367
Ratio		52.3%	47.7%
Totals 2004	6,614,347	3,287,962	3,326,385
Ratio		49.7%	50.3%

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, known as the Narrows 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. In 2010 Board began construction of a new groundwater source of supply and integrated membrane water treatment plant known as Council Point, on the south side of the City. This new source of supply began serving the City in 2013.

GENERAL DESCRIPTION OF SYSTEM OPERATIONS

The Narrows Water Purification Plant's 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 Council Point Water Purification Plant's source of water is five wells in the Missouri River alluvium to a depth of 100 feet. The groundwater is pumped to the pretreatment building where it is first aerated to oxidize iron followed by chemical addition to oxidize manganese. Insoluble iron and manganese is removed by ultrafiltration. Dissolved minerals are removed by reverse osmosis. Chlorine is added as a disinfectant. Fluoride is added as a prophylaxis. Finished water is stored in a 3.0 million gallon clearwell. There are three high service pumps that deliver water to the City, each with variable frequency drives and capable of delivering 4.0 MGD. The plant is automated and controlled by the water plant operators from the Narrows Water Purification Plant.

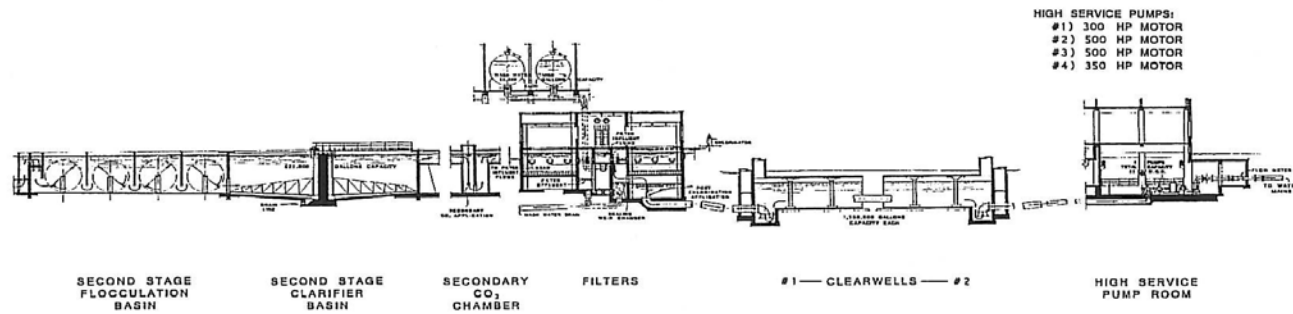
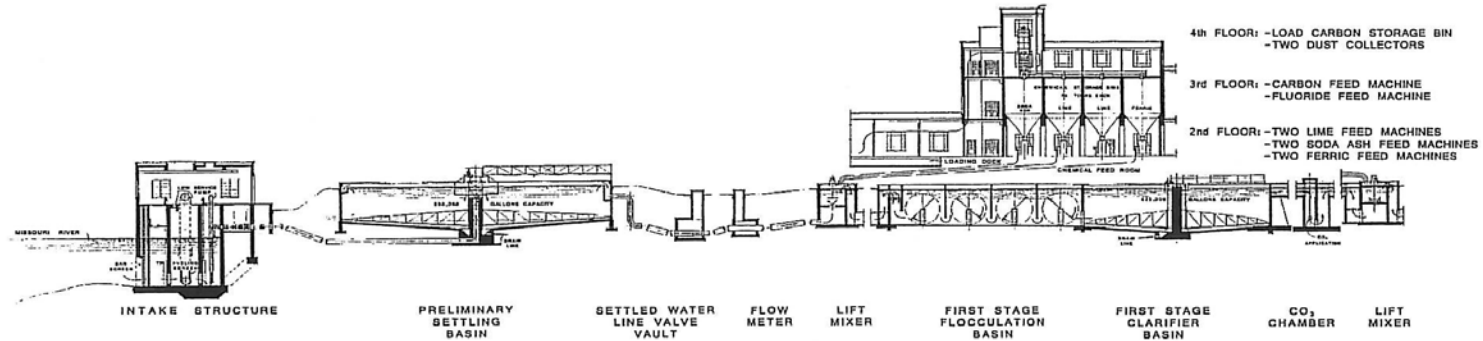
The distribution system has three pressure zones. The first zone is the flat (western and southern) sections of the city and is served by three 2 million gallon reservoirs and one 3 million gallon reservoir. Three of the reservoirs are located downtown and one is located in the southeastern part of the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





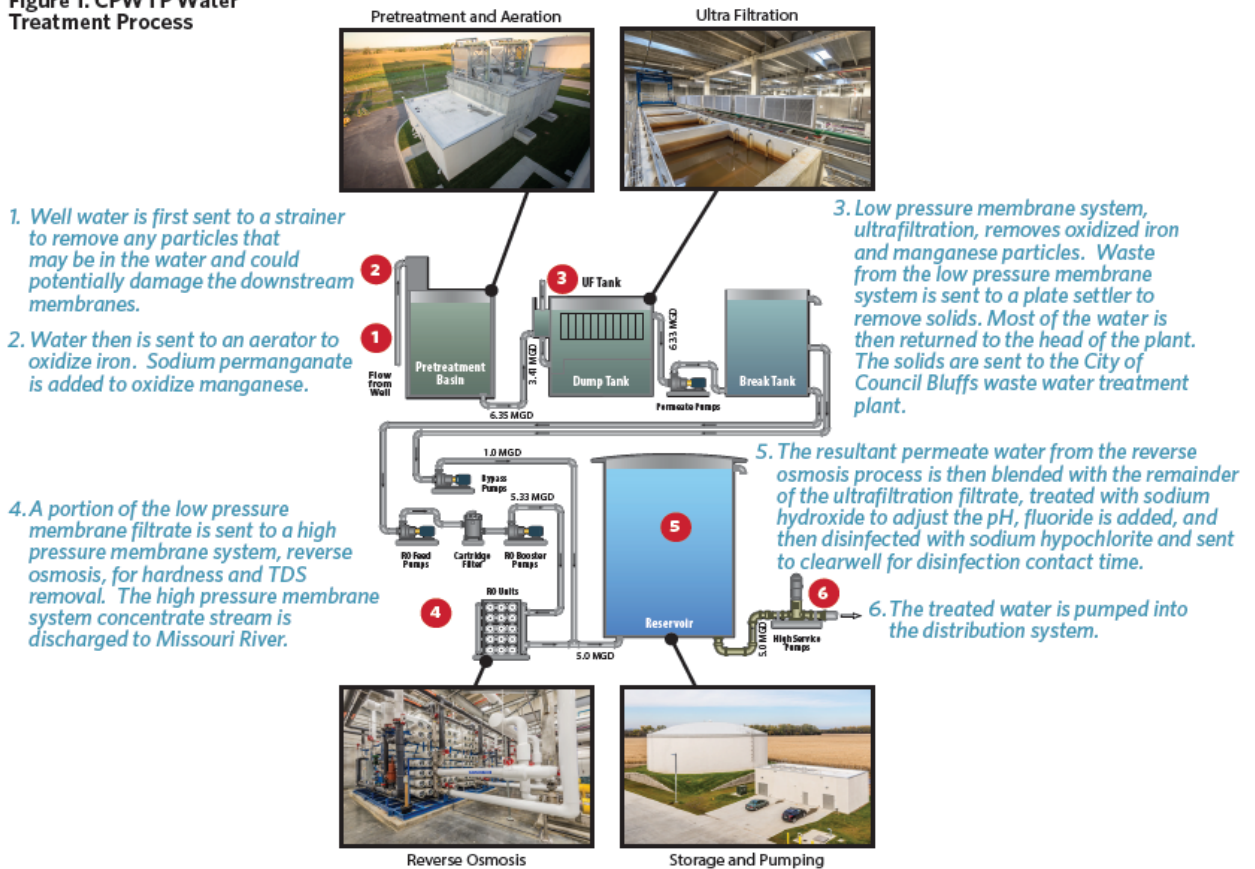
Unique Application of Different Technology, Techniques, Materials or Equipment

The CPWTP uses a process which employs the use of semi-permeable membranes (low pressure followed by high pressure) to separate impurities from well water, as shown in Figure 1 below. **While membrane technology is not a new technology, the application of low pressure membranes followed by high pressure membranes is a unique application that is a model for other communities to follow.** This process has very limited application in the United States and is a unique combination of technology that will serve as a model for other Iowa communities.

The CPWTP includes a level of automation that allows remote operation of the facility. Every component of the facility from the raw water supply to the membrane processes and chemical systems is automated, allowing operation from the Narrows WTP through the CBWW SCADA system. The facility is also monitored from the Narrows WTP through CCTV. The processes in operation at the facility can be easily shutdown, started up, and varied, allowing a quick response to system needs. This automation has allowed CBWW to maintain efficient staffing of their treatment facilities, therefore reducing the costs to their customers.

Another unique application of technology is the **on-site chlorine generation**. Salt (very similar to table salt) is delivered to the site and stored as brine solution in large storage tanks. The brine solution is exposed to high level of electrical current in the generators to make a dilute concentration of liquid sodium hypochlorite. The concentration of the chemical is low and the amount generated can be limited to the amount consumed every day or two, so the quantities on site are smaller and the risks from gaseous or liquid chlorine to the employees and neighboring area are greatly reduced.

Figure 1. CPWTP Water Treatment Process



COUNCIL BLUFFS CITY WATER WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013
(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, 2014 and 2013, 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, 2014 and 2013 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 10, 2015 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 10, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2014**

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, 2014. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Water Works' operating revenues decreased 2.73% or \$286,284 from calendar year 2013 to 2014.
- ◆ The Water Works' operating expenses increased by 5.86% or \$556,794, in calendar year 2013 to 2014.
- ◆ The Water Works' net position decreased 0.25% or \$103,110, from December 31, 2013 to December 31, 2014.

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, 2014

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 87.54% 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 1.15% includes resources that are subject to restrictions. The remaining net position 11.31% is the unrestricted position that can be used to meet the Water Works' obligations as they come due.

Statements of Net Position December 31, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
Current assets	\$ 5,696,996	\$ 6,218,595
Restricted assets	1,263,474	1,210,589
Capital assets	<u>67,148,150</u>	<u>68,331,440</u>
Total assets	<u>\$ 74,108,620</u>	<u>\$ 75,760,624</u>
Current liabilities (payable from current assets)	\$ 2,357,134	\$ 3,440,982
Current liabilities (payable from restricted assets)	784,466	951,005
Revenue bonds payable	<u>29,403,234</u>	<u>29,701,741</u>
Total liabilities	<u>\$ 32,544,834</u>	<u>\$ 34,093,728</u>
Net Position		
Net investment in capital assets	\$ 36,383,916	\$ 37,310,699
Restricted	479,008	259,584
Unrestricted	<u>4,700,862</u>	<u>4,096,613</u>
Total net position	<u>\$ 41,563,786</u>	<u>\$ 41,666,896</u>

Council Bluffs Water Works
Council Bluffs, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2014

Statement of Revenues and Expenses

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

In calendar year 2014, operating revenues increased by \$286,284 or 2.73%, due to the increase in water rates. The Board of Trustees approved a rate increase of 6% in 2014.

A summary of revenues and expense for the years ending December 31, 2014 and 2013 is presented below:

Statements of Revenues and Expenses		
December 31, 2014 and 2013		
Operating revenues		
Metered water sales	\$ 9,693,059	\$ 9,449,393
Rental	137,985	117,105
Other	926,693	904,955
Total operating revenues	\$ 10,757,737	\$ 10,471,453
Operating expenses		
Facilities and grounds	\$ 806,166	\$ 836,595
Inventory adjustment	(16,367)	(16,167)
Purification	1,776,219	1,552,835
Distribution and meter	1,273,775	1,392,337
Customer accounting	472,790	418,904
Administration and general	2,265,517	2,194,083
Pension and social security	398,491	382,638
Depreciation	3,084,142	2,742,714
Total operating expenses	\$ 10,060,733	\$ 9,503,939
Nonoperating revenues (expenses)		
Interest on investments	\$ 198,819	\$ 222,140
Interest expense	(1,075,069)	(1,212,857)
Loss on disposal of equipment	(105)	(4,807)
Nonoperating revenues, net	\$ (876,355)	\$ (995,524)
Change in net position	\$ (179,351)	\$ (28,010)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Calendar Year Ending December 31, 2014**

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, 2014 the Water Works had \$114,035,691 invested in capital assets, net of accumulated depreciation of \$46,887,541. Depreciation expense totaled \$3,084,142 for calendar year 2014. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2014, the Water Works had \$30,764,234 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 CITY WATER WORKS

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash (Note 2)	\$ 3,284,582	\$ 3,934,253
Inventory	864,812	838,783
Receivables:		
Consumer accounts	1,062,313	999,966
Unbilled revenues	<u>385,220</u>	<u>355,615</u>
Total receivables	\$ 1,447,533	\$ 1,355,581
Prepaid insurance	100,069	89,978
Restricted assets (Note 3)	<u>1,263,474</u>	<u>1,210,589</u>
Total current assets	\$ 6,960,470	\$ 7,429,184
Property, plant and equipment, net (Note 4)	<u>67,148,150</u>	<u>68,331,440</u>
	<u>\$ 74,108,620</u>	<u>\$ 75,760,624</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 223,170	\$ 444,309
Accrued wages and payroll taxes	89,171	32,641
Accrued compensated absences	207,708	208,308
Accrued interest payable	85,505	84,209
Retainage payable	221,970	1,266,216
Due to City of Council Bluffs	168,610	86,299
Current portion of long term debt (Note 5)	<u>1,361,000</u>	<u>1,319,000</u>
Total current liabilities (payable from current assets)	\$ 2,357,134	\$ 3,440,982
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 707,700	\$ 681,400
Main extension escrow deposit	(145,736)	52,194
Accrued interest on consumer deposits	222,459	210,932
Construction costs payable	<u>43</u>	<u>6,479</u>
Total current liabilities (payable from restricted assets)	\$ 784,466	\$ 951,005
Long term debt (Note 5)	<u>\$ 29,403,234</u>	<u>\$ 29,701,741</u>
Total liabilities	\$ 32,544,834	\$ 34,093,728
NET POSITION		
Net investment in capital assets	\$ 36,383,916	\$ 37,310,699
Restricted	479,008	259,584
Unrestricted	<u>4,700,862</u>	<u>4,096,613</u>
Total net position	\$ 41,563,786	\$ 41,666,896
Total liabilities and net position	<u>\$ 74,108,620</u>	<u>\$ 75,760,624</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Metered water sales	\$ 9,693,059	\$ 9,449,393
Rental	137,985	117,105
Other	<u>926,693</u>	<u>904,955</u>
Total operating revenues	<u>\$ 10,757,737</u>	<u>\$ 10,471,453</u>
OPERATING EXPENSES		
Facilities and grounds	\$ 806,166	\$ 836,595
Inventory adjustment	(16,367)	(16,167)
Purification	1,776,219	1,552,835
Distribution and meter	1,273,775	1,392,337
Customer accounting	472,790	418,904
Administration and general	2,265,517	2,194,083
Pension and social security	398,491	382,638
Depreciation	<u>3,084,142</u>	<u>2,742,714</u>
Total operating expenses	<u>\$ 10,060,733</u>	<u>\$ 9,503,939</u>
Operating income	<u>\$ 697,004</u>	<u>\$ 967,514</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	\$ 198,819	\$ 222,140
Interest expense	(1,075,069)	(1,212,857)
Loss on disposal of equipment	<u>(105)</u>	<u>(4,807)</u>
Nonoperating revenues, net	<u>\$ (876,355)</u>	<u>\$ (995,524)</u>
Change in net position	<u>\$ (179,351)</u>	<u>\$ (28,010)</u>
NET POSITION - BEGINNING AS PREVIOUSLY STATED	41,666,896	\$ 41,396,168
Adjustment due to correction in useful life of asset	-	<u>103,545</u>
NET POSITION - BEGINNING AS RESTATED	-	<u>\$ 41,499,713</u>
Contributions in aid of construction (Note 6)	<u>76,241</u>	<u>195,193</u>
NET POSITION - END OF YEAR	<u>\$ 41,563,786</u>	<u>\$ 41,666,896</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 9,601,107	\$ 9,535,228
Cash received from other revenues	1,064,678	1,022,060
Cash paid to suppliers for goods and services	(4,195,844)	(3,807,428)
Cash paid to employees and on their behalf	(2,955,775)	(2,850,924)
(Payments) receipts for City sewer services net of collections	82,311	(140,596)
Net cash provided by operating activities:	<u>\$ 3,596,477</u>	<u>\$ 3,758,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of long term debt	\$ (1,306,000)	\$ (4,336,000)
Long term debt issued	1,049,493	1,532,723
Interest paid on long term debt	(1,042,816)	(1,184,482)
Interest paid on consumer deposits	(22,530)	(28,166)
Additions to property, plant, and equipment	(2,948,540)	(3,731,716)
Main extension escrow deposits	(197,930)	10,319
Contributions-in-aid of construction	76,241	195,193
Net cash provided by (used in) capital and related financing activities	<u>\$ (4,392,082)</u>	<u>\$ (7,542,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	198,819	222,140
Net cash provided by investing activities	<u>\$ 198,819</u>	<u>\$ 222,140</u>
NET INCREASE (DECREASE) IN CASH	\$ (596,786)	\$ (3,561,649)
CASH - BEGINNING OF YEAR	<u>5,144,842</u>	<u>8,706,491</u>
CASH - END OF YEAR	<u>\$ 4,548,056</u>	<u>\$ 5,144,842</u>
RECONCILIATION TO BALANCE SHEETS		
Cash	\$ 3,284,582	\$ 3,934,253
Cash included in restricted assets	1,263,474	1,210,589
	<u>\$ 4,548,056</u>	<u>\$ 5,144,842</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 697,004	\$ 967,514
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,084,142	2,742,714
Changes in assets and liabilities:		
(Increase) Decrease in inventory	(26,029)	(145,436)
(Increase) Decrease in receivables	(91,952)	85,835
(Increase) Decrease in prepaid insurance	(10,091)	9,368
Increase (Decrease) in accounts payable	(221,139)	193,348
Increase (Decrease) in salaries payable	56,530	(11,737)
Increase (Decrease) in accrued compensated absences	(600)	38,880
Increase (Decrease) in Due to City of Council Bluffs	82,311	(140,596)
Increase (Decrease) in consumer deposits	26,300	18,450
Net cash provided by operating activities	<u>\$ 3,596,476</u>	<u>\$ 3,758,340</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 Water Works 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 Water Works 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 Water Works 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, 2014 and 2013

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 Water Works December 31, 2013 financial statements.

Subsequent Events:

Subsequent events have been evaluated through April 10, 2015, 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, 2014 balance sheet including restricted cash and cash equivalents and investments:

Deposits:

At December 31, 2014, deposits consisted of demand deposits and certificates of deposits and had the following balances:

Book Balance	\$ 4,546,256
Bank Balance	\$ 4,775,243

Of the total deposits, \$255,000 was covered by federal depository insurance and \$4,520,243 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.

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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Consumer deposit fund cash	\$ 945,505	\$ 946,364
Build America Bond loan funds	5,000	5,000
Main extension deposit	<u>312,969</u>	<u>259,225</u>
	<u>\$ 1,263,474</u>	<u>\$ 1,210,589</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2014 and 2013 consisted of the following:

<u>Description</u>	<u>Useful Life in</u> <u>Years</u>	<u>2014</u>	<u>2013</u>
Land	-	\$ 2,208,406	\$ 2,208,406
Deposit on Land	-	578,663	-
Building and Structures	20 - 50	35,786,223	13,334,521
Water Distribution System	20 - 75	52,396,232	51,696,510
Meters	25 - 40	1,668,389	1,519,810
Tools and Equipment	3 - 20	18,079,700	6,936,742
Automobiles and Trucks	5	1,365,770	1,352,575
Office Equipment	15	104,985	104,985
Work in Progress	-	<u>1,847,323</u>	<u>35,030,191</u>
		<u>\$ 114,035,691</u>	<u>\$ 112,183,740</u>
Less Accumulated Depreciation		<u>(46,887,541)</u>	<u>(43,852,300)</u>
		<u>\$ 67,148,150</u>	<u>\$ 68,331,440</u>

As of December 31, 2014, construction of the new water treatment facility was completed and capitalized.

During 2014 a correction in the estimated useful life of one of the assets was made. This change was applied retroactively to when the item was placed in service which effects prior years reported numbers. The effects of this change can be found in Note 10.

Also during 2014, Water Works made a deposit for additional land in the amount of \$578,663 with the closing of the land to take place in 2015 after due diligence and other conditions are satisfied. Total anticipated cost is \$1,153,663.

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 the Water Works had drawn down the \$35,353,000. 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, 2014 and 2013.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

5. Revenue Bonds - Continued

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2014 are as follows:

Years ended December 31,	Principal	Interest	Total Requirements
2015	\$ 1,361,000	\$ 906,067	\$ 2,267,067
2016	1,403,000	864,757	2,267,757
2017	1,447,000	822,127	2,269,127
2018	1,493,000	778,177	2,271,177
2019	1,541,000	736,717	2,277,717
2020-2024	8,468,000	3,035,645	11,503,645
2025-2029	10,316,944	1,682,465	11,999,409
2030-2034	3,611,000	378,074	3,989,074
2035-2036	<u>1,123,290</u>	<u>60,887</u>	<u>1,184,177</u>
	<u>\$ 30,764,234</u>	<u>\$ 9,264,916</u>	<u>\$ 40,029,150</u>

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, 2013	\$ 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	\$ 1,099,719	\$ 5,521,739	\$ 6,621,458
Contributions-in-aid of construction	-	76,241	76,241
Transfers – Depreciation of contributed property, plant and equipment	<u>(136,008)</u>	<u>(612,106)</u>	<u>(748,114)</u>
Balances at December 31, 2014	<u>\$ 963,711</u>	<u>\$ 4,985,874</u>	<u>\$ 5,949,585</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2014 and 2013

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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and Water Works is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Water Works contributions to IPERS for the years ended December 31, 2014 and 2013 were \$238,914 and \$228,372, respectively, equal to the required contributions for each year.

8. Contingencies

The Iowa Department of Natural Resources (IDNR) is currently evaluating the method of which the Water Works' discharges treatment plant residuals. As a result of this evaluation, the IDNR 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.

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 \$348,600. The Water Works contributes funds monthly to a separate bank account to supplement the employee's deductible. The balance in this account as of December 31, 2014 and 2013 was \$33,474 and \$11,575, respectively.

COUNCIL BLUFFS CITY WATER WORKS

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

Year Ended December 31, 2014

	2014 Actual	2014 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 9,693,059	\$ 10,332,000	\$ (638,941)
Rental	137,985	130,000	7,985
Other	926,693	548,400	378,293
Total operating revenues	\$ 10,757,737	\$ 11,010,400	\$ (252,663)
Operating expenses:			
Facilities and grounds	\$ 806,166	\$ 853,000	\$ 46,834
Inventory adjustment	(16,367)	5,000	21,367
Purification	1,776,219	2,009,500	233,281
Distribution and meter	1,273,775	1,362,500	88,725
Customer accounting	472,790	396,000	(76,790)
Administration and general	2,265,517	2,469,000	203,483
Pension and social security	398,491	421,700	23,209
Total operating expenses	\$ 6,976,591	\$ 7,516,700	\$ 540,109
Operating income	\$ 3,781,146	\$ 3,493,700	\$ 287,446
Nonoperating revenues (expenses):			
Interest on investments	\$ 198,819	\$ 198,800	\$ 19
Interest expense	(1,075,069)	(1,095,000)	19,931
Loss on disposal of equipment	(105)	(5,000)	4,895
Nonoperating revenues, net	\$ (876,355)	\$ (901,200)	\$ 24,845
Surplus (Deficit) from Operations	\$ 2,904,791	\$ 2,592,500	\$ 312,291
Debt Service	(1,306,000)	(1,306,000)	-
Capital Outlay	(2,948,540)	(4,195,000)	1,246,460
Bond Proceeds	1,049,493	1,276,000	(226,507)
Surplus (Deficit)	\$ (300,256)	\$ (1,632,500)	\$ 1,332,244
Reconciliation to statement of revenues and expenses:			
Budget Basis Deficit	\$ (300,256)		
Debt Service	1,306,000		
Capital Outlay	2,948,540		
Bond Proceeds	(1,049,493)		
Depreciation and Amortization	(3,084,142)		
Excess of revenues over expenses	\$ (179,351)		

COUNCIL BLUFFS CITY WATER WORKS

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

Year Ended December 31, 2014

	2014 Actual	2014 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
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Pension and social security	398,491	421,700	23,209
Total operating expenses	<u>\$ 6,976,591</u>	<u>\$ 7,516,700</u>	<u>\$ 540,109</u>
Operating income	<u>\$ 3,781,146</u>	<u>\$ 3,493,700</u>	<u>\$ 287,446</u>
Nonoperating revenues (expenses):			
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Interest expense	(1,075,069)	(1,095,000)	19,931
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Nonoperating revenues, net	<u>\$ (876,355)</u>	<u>\$ (901,200)</u>	<u>\$ 24,845</u>
Surplus (Deficit) from Operations	\$ 2,904,791	\$ 2,592,500	\$ 312,291
Debt Service	(1,306,000)	(1,306,000)	-
Capital Outlay	(2,948,540)	(4,195,000)	1,246,460
Bond Proceeds	<u>1,049,493</u>	<u>1,276,000</u>	<u>(226,507)</u>
Surplus (Deficit)	<u>\$ (300,256)</u>	<u>\$ (1,632,500)</u>	<u>\$ 1,332,244</u>
Reconciliation to statement of revenues and expenses:			
Budget Basis Deficit	\$ (300,256)		
Debt Service	1,306,000		
Capital Outlay	2,948,540		
Bond Proceeds	(1,049,493)		
Depreciation and Amortization	<u>(3,084,142)</u>		
Excess of revenues over expenses	<u>\$ (179,351)</u>		

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2014

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 2014, 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, 2014, and have issued our report thereon dated April 10, 2015. 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 10, 2015

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2014

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, 2014 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, 2014, 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.