

2007



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 COMMUNITY.

CHAIRMAN'S REPORT

Hillcrest Reservoir, nestled in the bluffs near Hillcrest Avenue, began serving the customers of the Council Bluffs Water Works on December 7, 2007. This new ground storage reservoir with a capacity of 3,000,000 gallons is the City's largest and increased our reservoir capacity by fifty percent. Hillcrest Reservoir will quietly serve our customers for many decades to come. This project, along with the new Valley View Pump Station and distribution system water main improvements, completed our first phase of major capital improvements that strengthens and improves the overall reliability of our community's water system.

The Board of Water Works Trustees is especially proud of its role in attracting Google to the community. Google's decision to locate a major server farm in Council Bluffs was due in large part to our ability to supply the necessary quantities of water for the operation of their facilities. This development project will have major economic benefits for the community.

Now, the Board looks to the future as we implement Phase II of our major capital improvements plan with the development of a new water supply, water treatment plant and transmission mains. Recent developments in the community, along with the fact that our existing Narrow's Purification Plant operates at 90% capacity during peak demand, made it apparent that the time had come to move this effort forward. Previous engineering studies recommended that the most cost effective solution to meet growing commercial and industrial demand on the southern portion of our system is the development of a new well field and water treatment plant located on the south edge of the City. In this effort the Board authorized studies to determine the feasibility of developing a new source of groundwater supply along the Missouri River on the south side of the community. The new source of supply and treatment plant will be capable of producing 5 Million Gallons per Day (MGD) with the ability to expand to 10 MGD and ultimately 20 MGD. We also considered the types of treatment techniques and processes we will use to meet our water quality goals and objectives, including conventional lime softening and membrane treatment. Although we use conventional lime softening at our existing water purification plant, an in-depth analysis indicated that membrane water treatment technology would have a lower capital, operating and maintenance cost. Membrane treatment essentially uses a fixed filter to remove impurities from water, similar to a coffee filter. The process employs the use of semi-permeable membranes, which separate impurities from water.

In order to fund this major improvements project the Board applied for State Revolving Loan Funds (SRF) jointly administered by the Iowa Finance Authority and Iowa Department of Natural Resources. The Iowa Finance Authority approved a Planning and Design Loan in the amount of \$2,867,000. This zero interest loan, for up to three years, will cover the costs incurred in the planning and design phase of our project and will be rolled into a permanent SRF Construction Loan.

Developing a new source of water supply and treatment plant is a complex process for which we are well under way. Our goal is to begin producing water from our new plant in 2011, coincidentally the 100th anniversary of the formation of the Board of Water Works Trustees of the City of Council Bluffs, Iowa. As Chairperson, I am proud of our past achievements and look forward to celebrating the future as we fulfill our obligations to provide our customers a safe and reliable supply of drinking water.

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

Mark A. Genereux
Chairman

Trustees:
Carl L. Heinrich
Glen M. Mitchell
Martin L. Brooks
Maureen R. Kruse

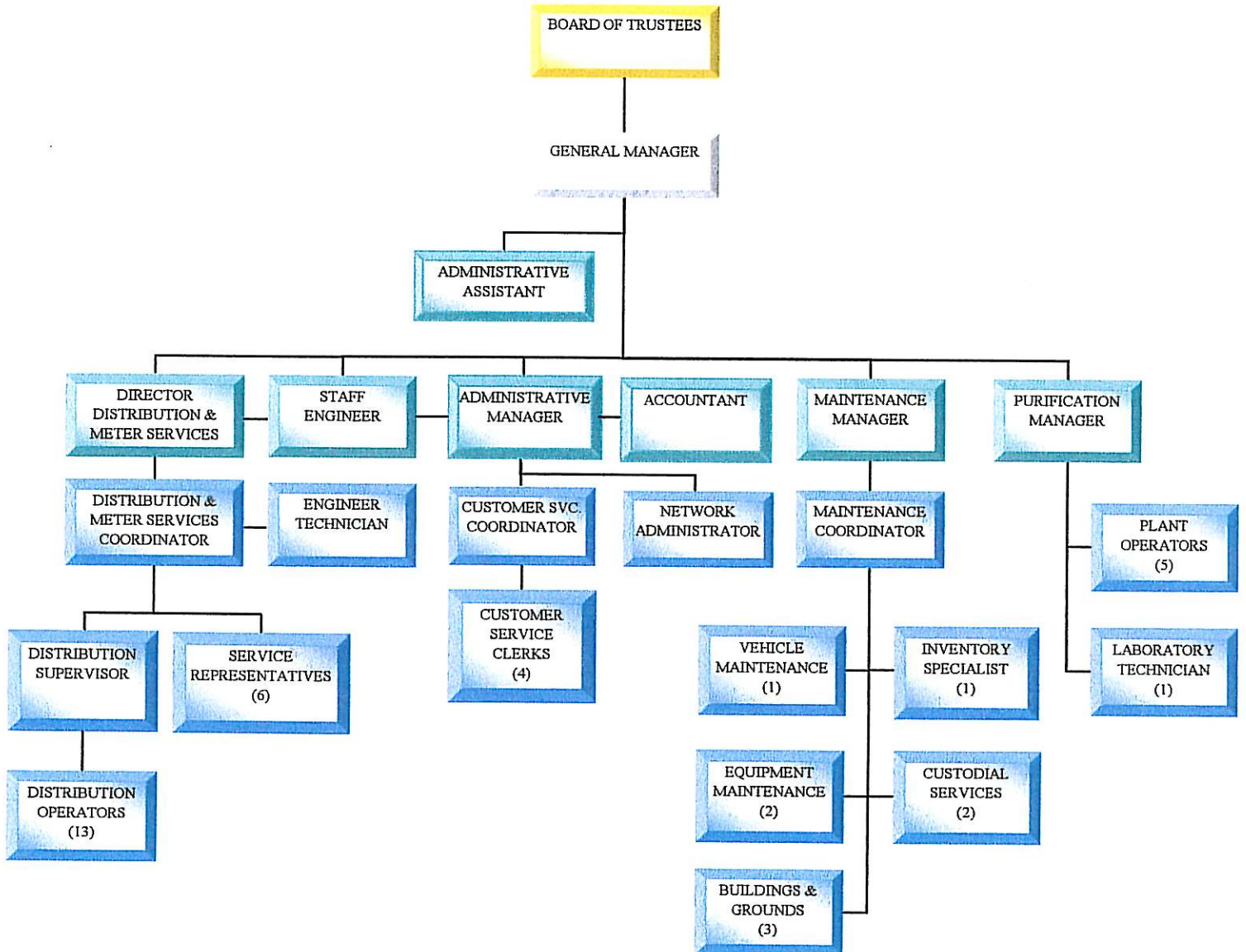
**2007
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 1,500 Cubic Feet	\$2.18	\$3.27
Next 28,500 Cubic Feet	\$1.58	\$2.37
Next 970,000 Cubic Feet	\$0.94	\$1.41
Next 1,000,000 Cubic Feet	\$0.88	\$1.32
Over 2,000,000 Cubic Feet	\$0.50	\$0.75

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 3,000 Cubic Feet	\$2.18	\$3.27
Next 57,000 Cubic Feet	\$1.58	\$2.37
Next 1,940,000 Cubic Feet	\$0.94	\$1.41
Next 2,000,000 Cubic Feet	\$0.88	\$1.32
Over 4,000,000 Cubic Feet	\$0.50	\$0.75

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

COUNCIL BLUFFS WATER WORKS ORGANIZATIONAL CHART



ORGANIZATION
AND
PERSONNEL

BOARD OF WATER WORKS TRUSTEES

Chairman	Mark A. Genereux	term expires June 30, 2011
Trustee	Carl L. Heinrich	term expires June 30, 2009
Trustee	Glen M. Mitchell	term expires June 30, 2012
Trustee	Martin L. Brooks	term expires June 30, 2013
Trustee	Maureen R. Kruse	term expires June 30, 2010

STAFF

General Manager:	Douglas P. Drummey	Iowa Grade IV Operator
Administrative Assistant:	Celestine Powell	

PURIFICATION DEPARTMENT

Purification Manager:	John E. Elliott	Iowa Grade IV Operator
Personnel:	Carolyn L. Hussein	Iowa Grade IV Operator
	John M. Meads	Iowa Grade IV Operator
	Gregory G. Reese	Iowa Grade III Operator
	Dennis D. Boruff	Iowa Grade III Operator
	Rodney A. Scott	Iowa Grade III Operator
	Timothy C. Parker	Iowa Grade II Operator

DISTRIBUTION & METER SERVICES DEPARTMENT

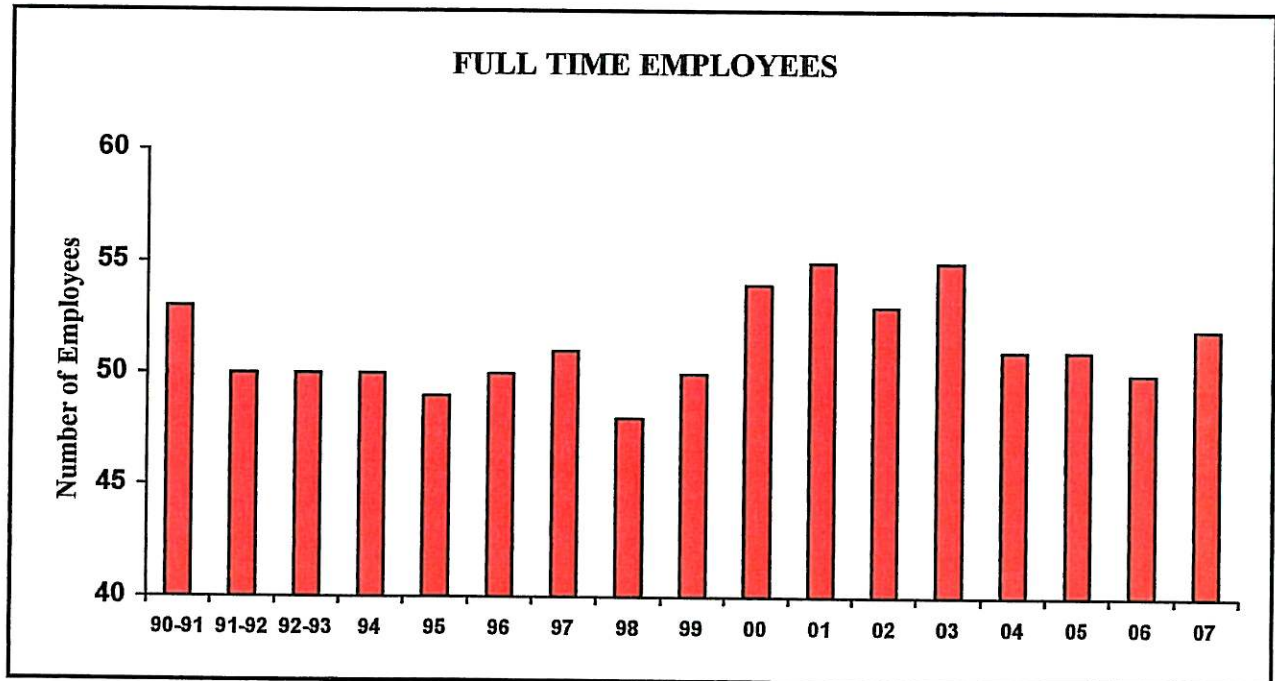
Director:	William E. Wiggins Jr.	Iowa Grade IV Operator
Coordinator:	David J. Fullenkamp	
Personnel:	David A. McLean	
	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	
	Dan L. Riesland	
	Chad M. Springer	
Supervisor:	Douglas L. Adkins	Iowa Grade II Operator
Engineering Technician:	Karen R. Perdue	
Personnel:	Dennis L. Wilson	Iowa Grade II Operator
	Matthew L. Farrell	Iowa Grade II Operator
	John D. Penney	Iowa Grade II Operator
	Steve W. Thurman	Iowa Grade II Operator
	Sammy J. Hughes	Iowa Grade I Operator
	Dustin L. Christensen	Iowa Grade I Operator
	Donald E. Sage	
	Brian E. Andersen	
	Edwin C. Kuhl	
	Clifford M. Anderson	
	Jeffrey A. Schuster	
	Joshua W. Ryan	
	Joseph S. Rhoades	

MAINTENANCE DEPARTMENT

Manager:	Ronnie G. Kopaska	
Coordinator:	Kenneth W. Boardman	
Personnel:	Jeremy W. Redmond	ASC Certified Mechanic
	Billy J. Gearhart	
	Mark P. Applegate	
	James L. Smith Jr.	Wayne A. Stahlnecker
	Joseph A. Masker	Shane E. Ruckman
	Norman H. Sales Jr.	Jason R. Jones

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

Administrative Manager:	Karen A. Wisniski	
Systems Administrator:	Bruce M. Riegel	
Coordinator:	Joseph E. Lenihan	
Staff Engineer:	Rex J. Anthony	Iowa Grade IV Operator
Personnel:	Travis P. Anderson	
	Lisa A. Lang	
	Rose Ann Wolfe	
	Kristin N. Nelson	
	Loni N. Koopmeiners	



HIGHLIGHTS
AND
STATISTICS

PURIFICATION DEPARTMENT

In 2007 we pumped 3,984,642,000 gallons of water, down slightly from 2006. Our average daily flow was 10,917,000 gallons and on July 6th our maximum daily flow for the year was 18,100,000 gallons.

Drought continued to plague the upper Missouri River Basins, now in its seventh consecutive year of drought. The U.S. Army Corps of Engineers continued to implement water conservation measures by reducing releases from Gavins Point Dam providing minimum support to navigation and ending support several weeks early. Although we recognize the importance of conservation in the Main Stem Reservoir System, the reduction in releases results in poorer water quality and increases our water treatment chemical costs.

The new filter controls project was completed this year, improving one of the most important aspects of our operation. The controls monitor filter flow, valve positions, water level, loss of head, turbidity, backwash and filter to waste cycles.

Hillcrest Reservoir went into service at the end of the year. With 3,000,000 gallons of additional storage capacity the new reservoir will improve our ability to balance our production rates and demand in our system.

The Iowa Department of Natural Resources (IDNR) required sampling plans for two new rules that went in effect in 2007. The Long Term 2 Enhanced Surface Water Treatment Rule (LT2) required that we test our source water, the Missouri River, every month for 2 years for cryptosporidium. We had been testing for cryptosporidium for more than 5 years and we were able to use 2 years of test results to meet the requirements of LT2. We are classified as a Bin 1 water treatment plant which means we do not require additional treatment for cryptosporidium inactivation.

The Stage 2 Disinfection-By-Product rule required us to develop a sampling plan and submit it to IDNR for their approval. Sixteen sites were required throughout the city to meet criteria for disinfection-by-products monitoring and testing. The plan was submitted and approved by IDNR and testing will begin in the spring of 2008.

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

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

<u>Water Treatment Chemical</u>	<u>Tons Used</u>	<u>\$ Cost</u>
Lime	2,406	\$341,705.60
Ferric Sulfate	198	60,443.62
Soda Ash	225	52,683.11
Liquid Chlorine	104	60,501.23
Sodium Hexametaphosphate	4.5	6,443.25
Sodium Silicofluoride	15.9	14,331.15
Polymer	19.4	19,018.37
Potassium Permanganate	3.3	14,229.78
Powder Activated Carbon	11.1	12,309.70
Anhydrous Ammonia	7.4	6,815.36
Total Water Treatment Chemical Cost		\$588,481.17

DISTRIBUTION & METER SERVICES DEPARTMENT

Distribution System improvements included the new 16" diameter and 20" diameter feeder main to the new Hillcrest Reservoir along Frank, Harmony and Oak Street. A new 12" diameter water main was installed along Coit Road, N. Broadway and Spencer to improve hydraulics on the north side of the City between Simms Avenue and Rew Elevated Storage Tank. The Distribution Department's main replacement efforts this year continued to support of city street and sewer replacement projects. Department personnel repaired approximately 2,157 square yards of PCC paving with an additional 699.7 square yards of paving done by a contractor. 272 square yards of asphalt overlay was installed by agreement with the Public Works Department. 55.63 tons of cold mix was used as temporary surfacing.

This year the department:

- Made 174 small taps
- Checked 374 service leaks
- Turned on/off 170 services
- Repaired 59 stops and 259 curb boxes
- Replaced 16 services from the main to stop box
- 46 services were connected to new mains by Water Works personnel
- 122 services were connected by contractors
- Killed 46 services at the main and 24 at the curb stop
- Answered 5,179 requests for service line or main location, Located 398 emergency locates and located 5,132 mains, services, and valves
- Turned 593 large valves, rebuilt 10, replaced 11 and installed 117 new valves
- Repaired 34 main leaks
- Repaired 80 valve boxes
- Made 27 large taps (4 inches and above)
- Moved 1 water main
- Lowered 4 water mains
- Killed 6 water mains
- Observed installation of 20,525 feet of new mains installed by contractors and Water Works personnel

Mains installed by Water Works were:

- 551 feet of 6-inch main
- 1,010 feet of 8-inch main
- 34 feet of 20-inch main

Mains installed by Contractors were:

- 84 feet of 4-inch main
- 474 feet of 6-inch main
- 5,835 feet of 8-inch main
- 4,638 feet of 10-inch main
- 8,350 feet of 12-inch main
- 3,111 feet of 16-inch main
- 1,134 feet of 24-inch main

- Removed 32 fire hydrants from service which were obsolete, damaged or for main replacement
- Hydrants painted and domes color coded by an outside contractor 322
- Hydrants checked for leaks/survey 674
- Checked 3,927 hydrants
- Repaired 436 hydrants
- Replaced 24 hydrants
- Relocated 5 hydrants
- Installed 51 hydrants for new mains
- Flushed 525 hydrants
- Scooped snow from 8 hydrants
- Checked 1,109 fire hydrants for ice and thawed 40

MAINTENANCE DEPARTMENT

The Maintenance Department is responsible for the maintenance of all facilities, equipment and grounds including the Narrows Purification Plant, Administration Building, 5 Booster Pump Stations, 4 Ground Storage Reservoirs, 5 Elevated Storage Tanks all spread over more than 100 acres throughout the City.

Maintenance personnel oversee the daily operation of the Storeroom and Warehouse. Responsibilities include material purchasing, storage and distribution for all departments.

The automotive fleet was maintained daily for the respective departments. The fleet is comprised of over forty (40) vehicles, such as: dump trucks, boom trucks, pick-ups, front end loaders/backhoes, portable air compressors, welders, and trailers.

The following pump and motor rebuild projects were completed: #2 Glen Avenue Booster Pump, #2 Bent Tree Booster Pump and #2 Low Service Pump. Each respective pump was disassembled and re-conditioned. Motors were pulled for cleaning and inspection.

A new fluoride chemical feed machine was installed in-house to replace the original feeder circa 1961. Maintenance personnel installed new 4" flanged stainless steel piping to the previously installed traveling screens located inside the Intake Building. This project involved custom pipe fabrication and installation of approximately 80' of 4" pipe underneath the floor of the Intake Building.

The filter controls project was completed at a cost of \$114,839.89. This was a major control and monitoring upgrade project integrated into the existing supervisory control and data acquisition telemetry system. The new filter valve control logic replaced a system that was installed in 1983. All filter analog input signals of filter flow, turbidity, head loss and respective valve positions are now being monitored in the Control Room. The control panels are now equipped with a 15" Human Machine Interface Display monitors that replaced the meters and hard switches. "Touch Screen" monitors now control soft switches to activate electric actuated valves and /or to place filters in auto or manual control.

The Hillcrest Reservoir project, a 3 million gallon concrete storage reservoir was completed last year. This is the largest finished water reservoir in our system adding fifty percent to our storage capacity.

Power and fuel are essential to our operation. It took 5,115,374 kWh of electricity at a cost of \$215,069.37 to process and distribute nearly four billion gallons of water. We participated in Mid American Energy's load shed program by operating our emergency generator to power our facilities during peak power usage receiving a rebate of \$10,846.00.

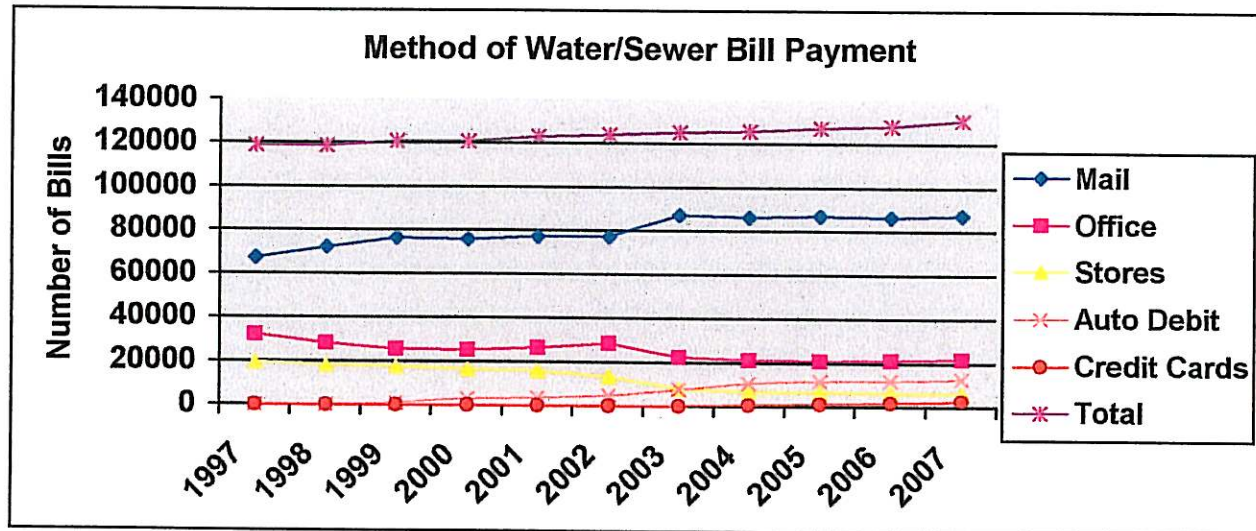
Maintenance Department recognizes the importance of preventive and predictive maintenance and is proud of our tradition of quality maintenance at the Council Bluffs Water Works.

CUSTOMER SERVICE & ACCOUNTING DEPARTMENT

The Customer Service and Meter Services Department took 129,690 meter readings, mailed 133,524 bills, and sent 29,890 reminders and 16,781 shut-off notices to customers. There were 12,859 automatic bank payments. There were 2,499 credit card payments. 13,505 shut-off notices were paid before the shut-off date or credit arrangements made with the Credit Manager. 3,276 were paid on the day of shut-off and 1,472 services were discontinued for non-payment. 18 services were discontinued for returned checks. 3,772 service contracts were processed to transfer, reinstate or add new customers to the system. We gained 221 new customers. 16,701 meter service orders were written for final readings, high bills, dead meters, or to install new meters and 1,452 meters were installed or replaced.

In early 2007, the Council Bluffs Water Works signed a contract with Cogsdale Corporation to upgrade our information systems. The information systems provide Customer Service, Accounting, Maintenance and Administration functions as part of an integrated system with tools readily available to look up information and manage accounts as needed. The future information system will provide features and functionality which allow Council Bluffs Water Works to be more efficient and effective in providing both the highest quality customer service and water utility services. In moving to the new information system, the customer base will benefit through

new service offerings and the Council Bluffs Water Works will benefit through efficiency, flexibility and control. The information system will be positioned to provide support to a client data base which will grow beyond 20,000 customers as the population and business expansion continues to grow.



GENERAL INFORMATION

The Council Bluffs Water Works has 20,961 active service accounts: 19,298 residential; 1,663 are commercial or industrial.

Last year, totaled production was 3,984,642,000 gallons.

Residential customers consumed 1,240,137,000 gallons in 2007. The average residential customer used 64,262 gallons at a cost of \$195.49 per year or \$16.29 per month.

Our top ten customers consumed 1,075,226,064 gallons, 27% of total production.

SERVICES PROVIDED OUTSIDE THE CITY OF COUNCIL BLUFFS, IOWA

595 outside-City customers paid \$493,436.34 for 193,549,488 gallons of water.

The City of Crescent paid \$48,914.01 for 26,234,604 gallons of water.

Regional Water paid \$87,508.77 for 44,503,756 gallons of water.

In total, outside City customers paid \$629,859.12 for 264,287,848 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 37,912,380 gallons of water to the City free of charge, having a value of \$70,652.93. Also, on the behalf of City, the Council Bluffs Water Works collected \$5,197,088.01 in sewer use fees.

TOP TEN CUSTOMERS

<u>2007 Rank</u>		<u>2006 Rank</u>
1.	Con Agra Frozen Foods	1
2.	Griffin Pipe Products	2
3.	Mid American Energy Co.	4
4.	Bunge Corporation	3
5.	Tyson Foods	5
6.	Plumrose USA, Inc.	6
7.	Regional Water	8
8.	Ameristar Casino	7
9.	Harrahs Council Bluffs Casino	unranked
10.	Dallas Johnson Green House	10

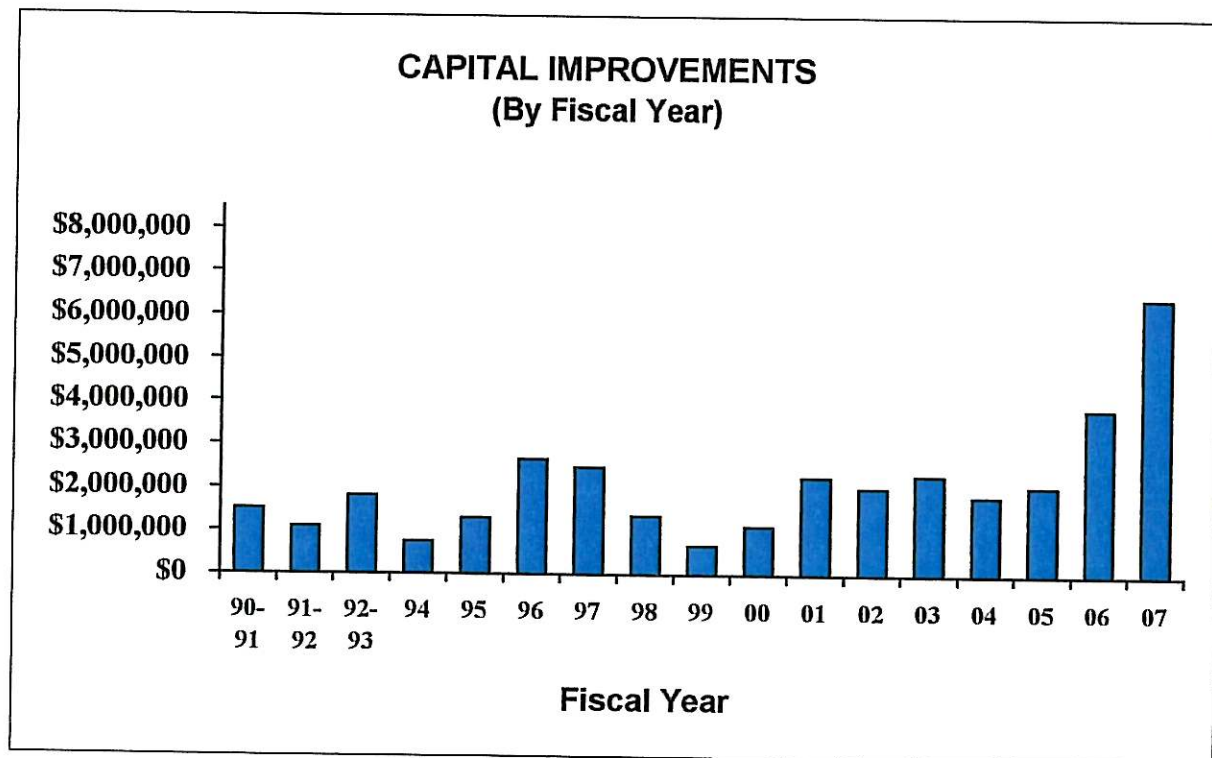
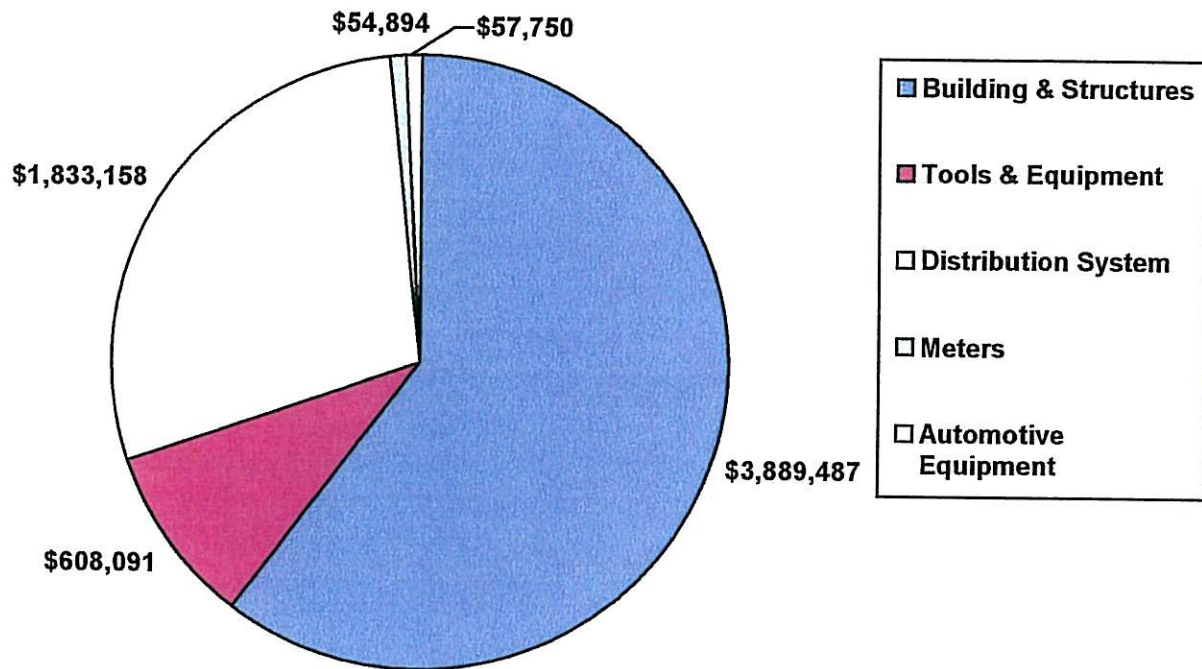
The Council Bluffs Water Works has 294 miles of water mains consisting of:

1-inch main	3,192	feet
1 ¼ inch main	310	feet
2-inch main	1,057	feet
4-inch main	53,695	feet
6-inch main	615,510	feet
8-inch main	304,889	feet
10-inch main	152,103	feet
12-inch main	213,069	feet
16-inch main	162,475	feet
20-inch main	7,723	feet
24-inch main	25,461	feet
30-inch main	4,216	feet
36-inch main	8,995	feet

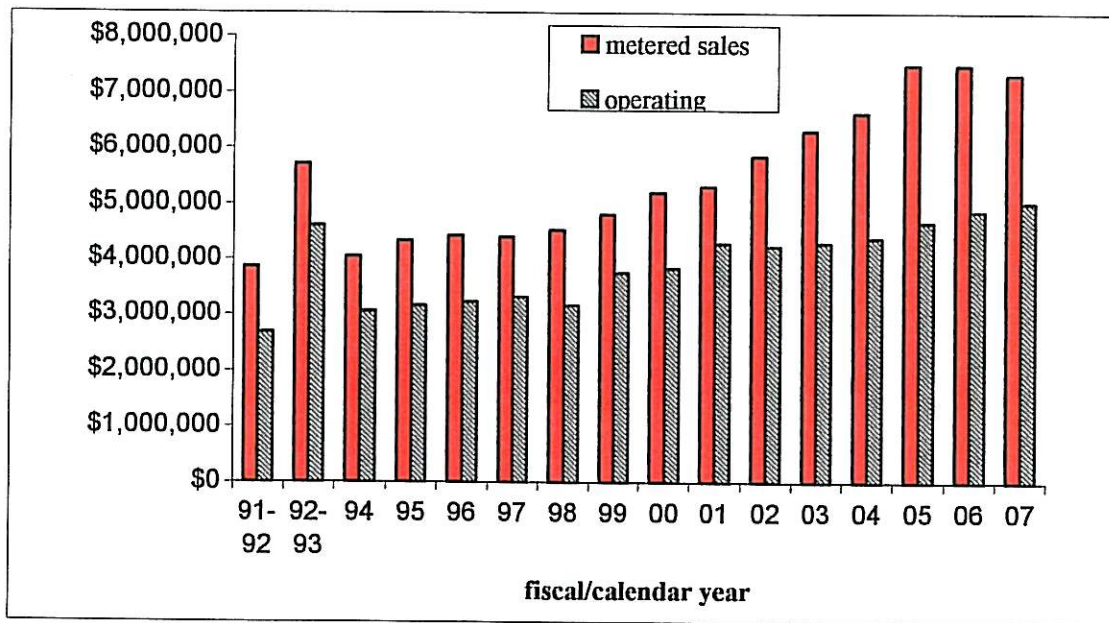
Number of Hydrants: 2,813

Number of Valves: 8,489

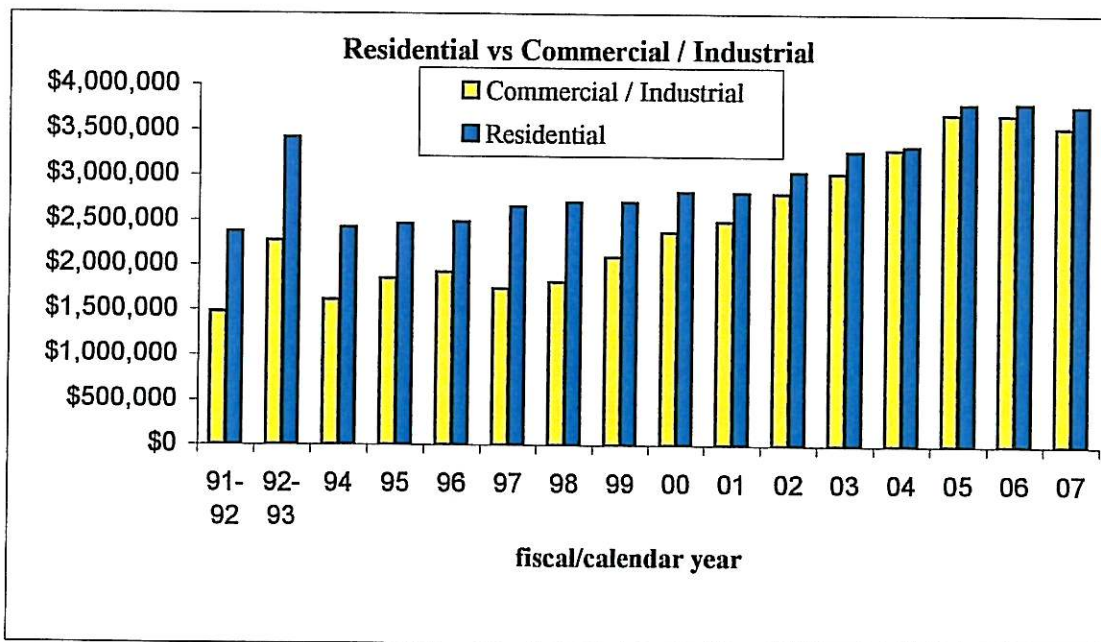
2007 CAPITAL IMPROVEMENTS
TOTAL \$6,443,380



(92-93 is an 18-month period)



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



WATER REVENUE
(92-93 is an 18-month period)

**COUNCIL BLUFFS WATER WORKS
PUMPAGE & METERED CONSUMPTION
(1,000's Gallons)
2007**

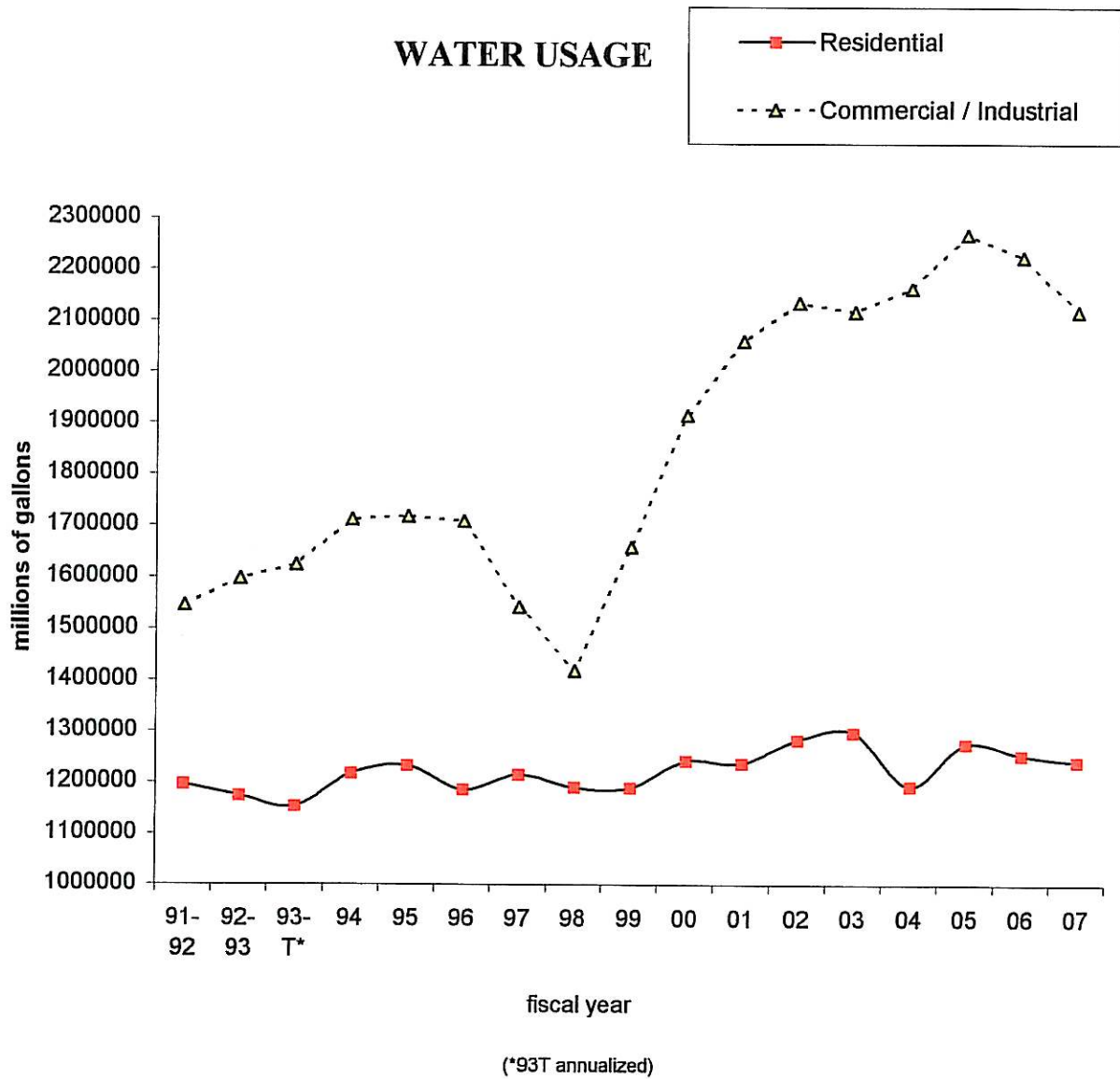
<u>MONTH</u>	<u>PUMPAGE TOTAL</u>	<u>METERED CONSUMPTION TOTAL</u>	<u>CONSUMPTION COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	291,280	236,510	143,896	92,614
February	264,210	246,539	162,412	84,127
March	297,910	228,828	140,736	88,092
April	290,130	214,311	136,322	77,989
May	324,512	280,391	187,419	92,972
June	419,200	301,346	189,038	112,308
July	478,610	363,317	237,784	125,533
August	394,020	410,751	240,174	170,577
September	341,550	312,986	191,534	121,452
October	316,150	280,496	181,431	99,065
November	285,160	266,436	174,826	91,610
December	281,910	216,730	132,932	83,798
Totals 2007	3,984,642	3,358,641	2,118,504	1,240,137
Ratio		84.3%	53.2%	31.1%
Totals 2006	4,125,479	3,477,757	2,224,976	1,252,781
Ratio		84.3%	53.9%	30.4%
Totals 1997	3,212,564	2,757,140	1,541,848	1,215,292
Ratio		85.8%	48.0%	37.8%

**COUNCIL BLUFFS WATER WORKS
METERED SALES (\$)
2007**

<u>MONTH</u>	<u>TOTAL</u>	<u>COMMERCIAL & INDUSTRIAL</u>	<u>RESIDENTIAL</u>
January	535,648	248,108	287,540
February	534,757	270,109	264,648
March	512,571	237,121	275,450
April	480,753	231,058	249,695
May	594,154	306,744	287,410
June	643,625	304,314	339,311
July	770,573	396,809	373,764
August	874,207	392,140	482,067
September	686,958	326,597	360,361
October	604,617	301,732	302,885
November	577,916	293,570	284,346
December	492,021	226,895	265,126
Totals 2007	7,307,800	3,535,197	3,772,603
Ratio		48.4%	51.6%
Totals 2006	7,476,190	3,676,420	3,799,770
Ratio		49.2%	50.8%
Totals 1997	4,387,420	1,735,356	2,652,064
Ratio		39.6%	60.4%

RESIDENTIAL VERSUS COMMERCIAL / INDUSTRIAL

WATER USAGE



HISTORY

Construction of the Council Bluffs Water System began in 1881 by the American Construction Company of New York City, which had been granted a 25 year franchise by the City of Council Bluffs. Under the franchise, the American Construction Company was to construct and operate a water system. The system constructed was very inferior, and during the life of the franchise, practically no improvements or extensions were made. As a result, along with the poor service rendered by the water company, the renewal of the franchise was rejected by the voters in 1906. In 1911, the City acquired the water system through condemnation proceedings at a cost of \$510,000. On June 1, 1911, the control of the Council Bluffs Water Works came under the Board of Water Works Trustees, which had been appointed by the Mayor. Their first task was to reconstruct or replace practically the entire system. The utility remains under the control of a five member Board of Trustees, appointed by the Mayor on alternate terms of six years each. Many physical changes have occurred within the water system itself. The system in 1911 consisted of obtaining water from the Missouri River near North 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 and two Pump Station.

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

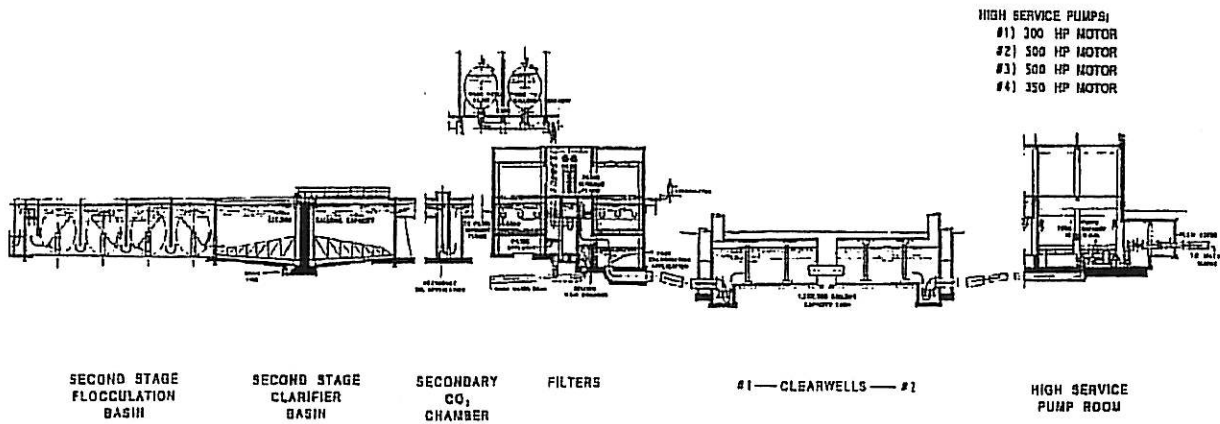
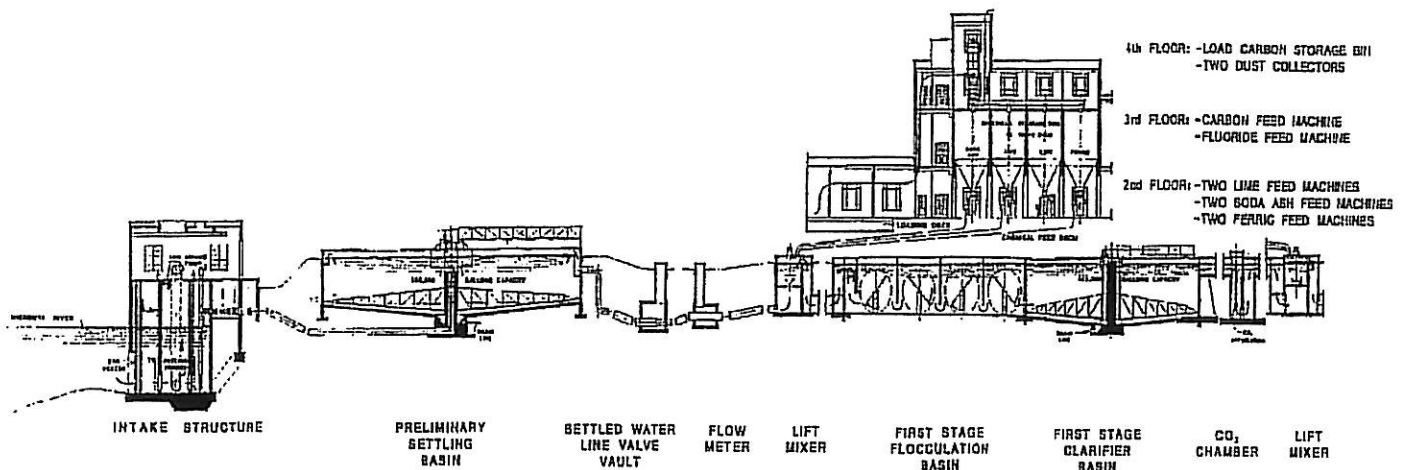
downtown and one is located in the southeastern part of the city.

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



FINANCIAL STATEMENTS

COUNCIL BLUFFS CITY WATER WORKS
FINANCIAL STATEMENTS AND SCHEDULE
DECEMBER 31, 2007 and 2006
(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of December 31, 2007 and 2006, and the related statements of revenues and expenses, fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Water Works' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the "Code of Iowa" and "Governmental Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs City Water Works as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued a report dated April 9, 2008 on our consideration of the Water Works' internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 16 through 17 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hamilton Associates, P.C.

Council Bluffs, Iowa
April 9, 2008

Council Bluffs Water Works

Council Bluffs, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calendar Year Ending December 31, 2007 (Audited)

Council Bluffs Water Works provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the calendar year ending December 31, 2007. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ♦ The Water Works' operating revenues increased 2.8%, or \$226,042, from calendar year 2006 to 2007.
- ♦ The Water Works' operating expenses increased 5.4%, or \$382,468, from calendar year 2006 to 2007.
- ♦ The Water Works' net assets increased 5.0%, or \$1,836,479, from calendar year 2006 to 2007.

USING THIS ANNUAL REPORT

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

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

Financial Statements consist of Balance Sheets, Statements of Revenues and Expenses, Statements of Fund Equity, and Statements of Cash Flows. These provide information about the activities of the Council Bluffs Water Works as a whole and present an overall view of the Water Works finances.

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

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

Other Supplementary Information provides comparative financial data with a prior year and statistical data.

FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets 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 statement of net assets includes year-end information concerning current assets and liabilities, and net assets (assets less liabilities). Readers of the financial statements are able to determine the Water Works financial position by analyzing the increases and decreases in net assets. 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 assets 80.5% 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 assets 2.2% includes resources that are subject to restrictions. The remaining net assets 17.3% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Net Assets December 31, 2007 and 2006		
	<u>2007</u>	<u>2006</u>
Current Assets	\$ 7,834,653	\$ 9,665,328
Restricted Assets	1,783,975	3,522,615
Capital Assets	<u>36,831,721</u>	<u>32,423,494</u>
Total Assets	<u>\$46,450,349</u>	<u>\$45,611,437</u>
Current Liabilities (payable from current assets)	\$1,853,188	\$1,823,858
Current Liabilities (payable from restricted assets)	906,986	1,253,883
Revenue bonds payable	<u>5,120,000</u>	<u>5,800,000</u>
Total Liabilities	<u>\$ 7,880,174</u>	<u>\$ 8,877,741</u>
Net Assets:		
Invested in capital assets, net of related debt	\$31,031,721	\$25,973,494
Restricted	876,989	2,268,732
Unrestricted	<u>6,661,465</u>	<u>8,491,470</u>
Total Net asset	<u>\$38,570,175</u>	<u>\$36,733,696</u>

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues received by the Waters Works, both operating and non-operating, and the expenses incurred.

A summary of revenues, expenses and changes in net assets for the year ending December 31, 2007 and 2006 is presented below:

<u>Changes in Net Assets</u>		
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Metered water sales	\$ 7,297,777	\$ 7,481,138
Rental	77,533	69,279
Other	<u>965,625</u>	<u>564,476</u>
Total operating revenues	<u>\$ 8,340,935</u>	<u>\$ 8,114,893</u>
Operating expenses:		
Facilities and maintenance	\$ 735,260	\$ 736,122
Purification	1,010,931	929,379
Transmission and distribution	791,993	810,303
Consumer accounting and meter division	718,074	663,896
Administration and general	1,534,113	1,492,270
Pension and social security	260,051	232,447
Depreciation	<u>2,373,409</u>	<u>2,176,946</u>
Total operating expenses	<u>\$ 7,423,831</u>	<u>\$ 7,041,363</u>
Non-operating revenues (expenses):		
Interest on investments	\$ 486,730	\$ 551,775
Interest expense	(251,762)	(262,677)
Loss on disposal of equipment	<u>(78,352)</u>	<u>(332)</u>
Non-operating revenues, net	<u>\$ 156,616</u>	<u>\$ 288,766</u>
Excess of revenues over expenses	<u>\$1,073,720</u>	<u>\$ 1,362,296</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the calendar year.

In calendar year 2007, operating revenues increased by \$226,042 or 2.8%, primarily a result of increase rates on capital facility fees and service charges.

Statement of Cash Flows

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

CAPITAL ASSETS

At December 31, 2007, the Water Works had \$65,343,903 invested in capital assets, net of accumulated depreciation of \$28,616,654. Depreciation expense totaled \$2,360,919 for calendar year 2007. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2007, the Water Works had \$5,800,000 debt outstanding.

ECONOMIC FACTORS

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

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

CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT

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

COUNCIL BLUFFS CITY WATER WORKS

BALANCE SHEETS
December 31, 2007 and 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash (Note 2)	\$ 4,025,861	\$ 5,584,142
Short-term investments (Note 2)	1,539,000	1,539,000
Inventory	674,314	672,735
Receivables:		
Consumer accounts, net of allowance for doubtful accounts of \$1,000 in 2007 and \$1,000 in 2006	1,145,739	1,364,578
Unbilled revenues	315,477	327,814
Accrued interest	18,346	67,079
Total receivables	\$ 1,479,562	\$ 1,759,471
Prepaid insurance	115,916	109,980
Restricted assets (Note 3)	1,783,975	3,522,615
Total current assets	\$ 9,618,628	\$ 13,187,943
Property, plant and equipment, net (Note 4)	36,727,249	32,306,531
Capitalized Costs, net (Note 5)	104,472	116,963
	<u>\$ 46,450,349</u>	<u>\$45,611,437</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 395,228	\$ 460,795
Salaries payable	65,121	5,872
Accrued compensated absences	150,385	139,682
Accrued interest payable	17,599	18,961
Due to City of Council Bluffs	544,855	548,548
Current portion of revenue bonds payable (Note 6)	680,000	650,000
Total current liabilities (payable from current assets)	\$ 1,853,188	\$ 1,823,858
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 538,965	\$ 492,750
Main extension escrow deposit	229,495	629,807
Accrued interest on consumer deposits	138,526	131,326
Total current liabilities (payable from restricted assets)	\$ 906,986	\$ 1,253,883
Revenue bonds payable (Note 6)	\$ 5,120,000	\$ 5,800,000
Total liabilities	<u>\$ 7,880,174</u>	<u>\$ 8,877,741</u>
FUND EQUITY		
Contributed capital:		
Other governments	\$ 1,629,382	\$ 1,752,704
Customers and developers	7,376,665	7,135,851
Total contributed capital	\$ 9,006,047	\$ 8,888,555
Retained earnings	29,564,128	27,845,141
Total fund equity	<u>\$ 38,570,175</u>	<u>\$36,733,696</u>
	<u>\$ 46,450,349</u>	<u>\$45,611,437</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2007 and 2006

	2007	2006
Operating revenues:		
Metered water sales	\$ 7,297,777	\$ 7,481,138
Rental	77,533	69,279
Other	<u>965,625</u>	<u>564,476</u>
Total operating revenues	<u>\$ 8,340,935</u>	<u>\$ 8,114,893</u>
Operating expenses:		
Facilities and maintenance	\$ 735,260	\$ 736,122
Purification	1,010,931	929,379
Transmission and distribution	791,993	810,303
Consumer accounting and meter division	718,074	663,896
Administration and general	1,534,113	1,492,270
Pension and social security	260,051	232,447
Depreciation and amortization	<u>2,373,409</u>	<u>2,176,946</u>
Total operating expenses	<u>\$ 7,423,831</u>	<u>\$ 7,041,363</u>
Operating income	<u>\$ 917,104</u>	<u>\$ 1,073,530</u>
Nonoperating revenues (expenses):		
Interest on investments	\$ 486,730	\$ 551,775
Interest expense	(251,762)	(262,677)
Loss on disposal of equipment	<u>(78,352)</u>	<u>(332)</u>
Nonoperating revenues, net	<u>\$ 156,616</u>	<u>\$ 288,766</u>
Excess of revenues over expenses	<u>\$ 1,073,720</u>	<u>\$ 1,362,296</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF FUND EQUITY
Years Ended December 31, 2007 and 2006

	Contributed Capital			Retained Earnings	Total Fund Equity
	Other Governments	Customers and Developers	Total		
Balances at December 31, 2005	\$ 1,835,600	\$ 6,780,751	\$ 8,616,351	\$ 25,875,716	\$ 34,492,067
Excess of revenues over expenses				1,362,296	1,362,296
Contributions-in-aid of construction	40,426	838,907	879,333	-	879,333
Transfers – Depreciation of contributed property, plant and equipment	<u>(123,322)</u>	<u>(483,807)</u>	<u>(607,129)</u>	<u>607,129</u>	<u>-</u>
Balances at December 31, 2006	\$ 1,752,704	\$ 7,135,851	\$ 8,888,555	\$ 27,845,141	\$ 36,733,696
Excess of revenues over expenses				1,073,720	1,073,720
Contributions-in-aid of construction	-	762,759	762,759	-	762,759
Transfers – Depreciation of contributed property, plant and equipment	<u>(123,322)</u>	<u>(521,945)</u>	<u>(645,267)</u>	<u>645,267</u>	<u>-</u>
Balances at December 31, 2007	<u>\$ 1,629,382</u>	<u>\$ 7,376,665</u>	<u>\$ 9,006,047</u>	<u>\$ 29,564,128</u>	<u>\$ 38,570,175</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 7,528,953	\$ 7,043,963
Cash received from other revenues	1,043,158	633,755
Cash paid to suppliers for goods and services	(2,773,393)	(2,770,739)
Cash paid to employees and on their behalf	(2,233,944)	(2,135,328)
Payments to City for sewer services net of collections	(3,693)	69,671
Net cash provided by operating activities:	<u>\$ 3,561,081</u>	<u>\$ 2,841,322</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of revenue bonds	\$ (650,000)	\$ (635,000)
Revenue bonds issued	-	3,005,000
Premium(discount) on bonds issued	-	(20,999)
Revenue bonds deposit	-	(30,050)
Interest paid on revenue bonds	(227,535)	(226,327)
Interest paid on consumer deposits	(18,390)	(17,855)
Additions to property, plant, and equipment	(6,859,987)	(4,564,404)
Main extension escrow deposits	(400,312)	488,097
Contributions-in-aid of construction	762,759	879,333
Net cash provided by capital and related financing activities	<u>\$ (7,393,465)</u>	<u>\$ (1,122,205)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales of investments	\$ 1,480,000	\$ (1,732,000)
Interest received on investments	541,338	485,730
Net cash provided investing activities	<u>\$ 2,021,338</u>	<u>\$ (1,246,270)</u>
Net increase (decrease) in cash	\$ (1,811,046)	\$ 472,847
Cash at beginning of year	6,686,232	6,213,385
Cash at end of year	<u>\$ 4,875,186</u>	<u>\$ 6,686,232</u>
Reconciliation to balance sheets:		
Cash	\$ 4,025,861	\$ 5,584,142
Cash included in restricted assets	849,325	1,102,090
	<u>\$ 4,875,186</u>	<u>\$ 6,686,232</u>
See Notes to Financial Statements.		

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

Reporting Entity and Basis of Accounting

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

The Water Works has elected to apply all pronouncements of the Governmental Accounting Standards Board ("GASB") as well as all Financial Accounting Standards Board's statements and interpretations issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended December 31, 2004. The statements create new basic financial statements for reporting the Water Works' financial activities. The financial statements have always been prepared on an accrual basis of accounting so the beginning net assets did not have to be restated for that reason.

Revenues

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

Short-term Investments

Investments include time certificates of deposit maturing within six months. Investments are carried at cost which approximates market.

Consumer Accounts Receivable

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

Valuation of Inventories

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2007 and 2006

Note 1. Summary of Significant Accounting Policies – Continued

Property, Plant and Equipment

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

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

Accrued Compensated Absences

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

Contributions-in-Aid of Construction and Contributed Capital

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

Cash and Cash Equivalents

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

Use of estimates

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 2. Cash and Short-term Investments

Listed below is a summary of the deposit and investment portfolios that comprise cash and investments on the December 31, 2007 balance sheet including restricted cash and cash equivalents and investments:

Deposits

For reporting purposes, Water Works' deposits are classified in these three categories of credit risk:

1. Insured or collateralized with securities held by the Water Works or by its agent in the Water Works' name.
2. Collateralized with securities held by the pledging financial institution's trust department in the Water Works' name.
3. Uncollateralized.

At December 31, 2007, deposits consisted of the following:

Book Balance	Bank Balance	Category		
		1	2	3
<u>\$ 4,875,186</u>	<u>\$ 5,154,925</u>	<u>\$ 100,000</u>	<u>\$ --</u>	<u>\$ 5,054,925</u>

Investments

For reporting purposes, the Water Works' investments are classified in these three categories of credit risk:

1. Insured or registered, or securities held by the entity, or its agent in the Water Works' name.
2. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent in the Water Works' name.
3. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the Water Works name.

Investments at December 31, 2007 consisted of the following:

	Category			Carrying amount	Market value
	1	2	3		
Investments	<u>\$ 200,000</u>	<u>\$ --</u>	<u>\$ 2,257,500</u>	\$ 2,457,500	<u>\$ 2,457,500</u>
Deposits				<u>4,875,186</u>	
				\$ 7,332,686	
Restricted assets (excluding accrued interest)				<u>1,767,825</u>	
				<u>\$ 5,564,861</u>	

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 3. Restricted Assets

Restricted assets represent money set aside for payment of bonds, proceeds from bond issues to be used for capital improvements, or contributions of cash by governments, customers, or developers for costs of construction. These contributions are reflected as restricted assets until expended. Details of the accounts comprising restricted assets as of December 31, 2007 and 2006 are as follows:

	2007	2006
Consumer deposit fund cash	\$ 437,107	\$ 379,694
Main Extension Deposit	--	407,363
Sinking fund cash	74,265	73,128
Consumer deposit fund investments	210,000	210,000
Reserve fund investments	708,500	708,500
Project Fund Cash	337,953	241,905
Project Fund Investments	--	1,480,000
Accrued interest	<u>16,150</u>	<u>22,025</u>
	<u>\$ 1,783,975</u>	<u>\$ 3,522,615</u>

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2007 and 2006 consists of the following:

Description	Useful life in years	2007	2006
Land	-	\$ 378,608	\$ 132,948
Buildings and structures	20-40	9,841,137	9,297,422
Water distribution system	20-40	40,319,126	38,370,642
Meters	25-40	938,841	923,838
Tools and equipment	3-20	5,545,702	6,268,908
Automobiles and trucks	5	1,329,663	1,318,832
Office equipment	15	104,985	159,201
Work in progress		<u>6,885,841</u>	<u>3,494,200</u>
		\$ 65,343,903	\$ 59,965,991
Less accumulated depreciation		<u>28,616,654</u>	<u>27,659,460</u>
		<u>\$ 36,727,249</u>	<u>\$ 32,306,531</u>

As of December 31, 2007 the Water Works had contractual commitments of approximately \$4,082,045 for various construction projects of which \$3,848,402 has been completed. Funding for \$3,852,550 of these projects were payable from bond issue proceeds with the remainder payable from general operating funds.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 5. Capitalized Costs

The costs incurred to obtain financing of the Revenue Bond Refunding, Series 2004 and the Water Revenue Bonds, Series 2005 and 2006 have been capitalized and are being amortized as described below:

		2007	2006
Water Revenue Refunding, Series 2004			
Financing costs	81 months	\$ 44,899	\$ 44,899
Less accumulated amortization		<u>(24,945)</u>	<u>(18,292)</u>
Capitalized costs, net		<u>\$ 19,954</u>	<u>\$ 26,607</u>
Water Revenue Bonds, Series 2005			
Financing costs	180 months	\$ 53,740	\$ 53,740
Bond Premium		<u>(7,651)</u>	<u>(7,651)</u>
Less accumulated amortization		<u>(5,449)</u>	<u>(2,986)</u>
Capitalized costs, net		<u>\$ 40,640</u>	<u>\$ 43,103</u>
Water Revenue Bonds, Series 2006			
Financing costs	180 months	\$ 16,626	\$ 16,626
Bond Discount		34,001	34,001
Less accumulated amortization		<u>(6,749)</u>	<u>(3,374)</u>
Capitalized costs, net		<u>\$ 43,878</u>	<u>\$ 47,253</u>
Total capitalized costs, net		<u>\$ 104,472</u>	<u>\$ 116,963</u>

Note 6. Revenue Bonds

On April 1, 1995, the Water Works issued \$4,500,000 in tax-exempt Water Revenue Bonds Series 1995, bearing interest at rates ranging from 5.4% to 5.5% due in 2010. The bonds were issued to pay costs of construction of a 1.5 MGD Clearwater Well as well as various other capital projects. The bonds may be redeemed, in whole at any time, or in part on any interest payment date, in order of maturity on or after December 1, 1996. These bonds were paid off in December 2005 with the proceeds from the 2004 Water Revenue Refunding Bonds.

On April 1, 2004, the Water Works issued \$2,085,000 in tax exempt Water Revenue Refunding Bonds Series 2004, bearing interest at rates ranging from 1.5% to 2.6% due in 2010. The bonds were issued to crossover refund on December 1, 2005, \$2,020,000 of the outstanding Series 1995 Bonds, maturing December 1, 2006 through 2010, originally dated April 1, 1995.

On December 21, 2005, the Water Works issued \$1,995,000 in tax exempt Water Revenue Bonds Series 2005, bearing interest at rates ranging from 3.9% to 4.1% due in 2020. In January 2006, the Water Works issued \$3,005,000 in tax exempt Water Revenue Bonds Series 2006, bearing interest at rates ranging from 3.5% to 4.375%. The 2005 and 2006 Series bonds were issued to finance the following projects: a new booster pump station, new ground storage reservoir with a 2 to 3 million-gallon capacity, and new high service pump.

The bond resolutions relating to the Series 2004, 2005 and 2006 Revenue Bonds require the Water Works to provide net available revenue at an amount not less than 1.25 times the maximum annual debt service on the then outstanding bonds. For the years ended December 31, 2007 and 2006 the ratio was 4.19 and 4.21 respectively.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 6. Revenue Bonds (Continued)

The bond resolutions also provide for the maintenance of a revenue fund represented by a cash account into which all monies derived by the Water Works from revenue are to be deposited. These funds are transferred monthly, in amounts to meet specified requirements, to separate accounts for operations and maintenance, bond redemption and interest, bond reserves and capital projects. The Water Works was in compliance with all debt covenants for the years ended December 31, 2007 and 2006.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2007 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2008	\$ 680,000	\$ 211,185	\$ 891,185
2009	705,000	192,775	897,775
2010	735,000	172,605	907,605
2011	300,000	149,620	449,620
2012	310,000	137,740	447,740
Thereafter	<u>3,070,000</u>	<u>603,100</u>	<u>3,673,100</u>
	<u>\$ 5,800,000</u>	<u>\$ 1,467,025</u>	<u>\$ 7,267,025</u>

Note 7. Retirement Systems

IPERS

The Water Works is a participating employer in the Iowa Public Employees Retirement System ("IPERS"), which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security. During 1998, IPERS adopted GASB Statement No. 25 and the Water Works adopted GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers".

All employees who did not participate in any other public retirement system in the State are eligible and must participate in IPERS. The pension plan provides retirement and death benefits, which are established by State statute. Generally, a member may retire at the age of 65 or any time after age 62 with 30 years or more of service or when age plus years of service equals or exceeds 88, and receive full benefits. However, regardless of meeting the Rule of 88 the member will not receive full benefits unless the member has at least 30 years of service. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to fifty-six percent of the average of the highest three years of covered wages times years of service divided by 30 for members retiring on or after July 1, 1992.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2007 and 2006

Note 7. Retirement Systems (Continued)

The plan is administered by the State of Iowa and the Water Works' responsibility is limited to payment of contributions. Contribution and benefit provisions are established by state law and may only be amended by the state legislature. During the year ended June 30, 2007, State statute requires contributions of 3.90 percent by the employee and 6.05 percent by the employer. Certain employers and employees in special risk occupations contribute at a slightly higher rate as required by statute. Contribution rates are applied on the first \$225,000 and \$220,000 of compensation in calendar years 2007 and 2006 respectively. The contribution paid by the Water Works totaled \$128,579 and \$112,894 for the years ended December 31, 2007 and 2006 respectively, and the contribution paid by employees totaled \$82,120 and \$72,444, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2007 and 2006 was \$2,164,599 and \$1,957,937 respectively, and the total Water Works' payroll for 2007 and 2006 was \$2,166,036 and \$1,962,061 respectively. The Water Works' employer and employee contributions during the years ended December 31, 2007 and 2006 represented less than one percent of total contributions of all participating entities.

IPERS prepares a separate report that includes financial statements and required supplementary information. The report can be obtained by writing IPERS, 600 East court, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

Note 8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water Works carries commercial insurance for all risks of loss, including errors and omissions, destruction of assets and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Water Works participates in the City workers' compensation self-insurance plan. The plan pays \$500,000 per incident with no upper limit. The Water Works pays a premium to the City for its portion of workers' compensation.

As of July 2007, The Water Works participates in a partially self-funding benefit plan for its employees' health insurance. The plan is administered by a third-party which estimates The Water Works maximum annual exposure to be \$227,200. 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, 2007 was \$ 3,214.

Note 9. Subsequent Event

In January 2008, The Water Works entered into an agreement with the Iowa Finance Authority for a line of credit in the amount of \$2,867,000. The line of credit bears 0% for three years at which time it can be included in a construction loan with the Iowa Finance Authority, which is pre-approved for \$29,846,077. The line of credit and the perspective construction loan are to pay for expected improvement and expansion costs.

COUNCIL BLUFFS CITY WATER WORKS

Comparison of Cash Basis – Actual with Cash Basis - Budget

Year ended December 31, 2007

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 8,824,150</u>	<u>\$ 5,229,549</u>	<u>\$ 8,618,900</u>
Enterprise – general (expenses)	<u>\$ 12,381,326</u>		<u>\$ 13,960,528</u>

Year ended December 31, 2006

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 8,608,524</u>	<u>\$ 5,137,754</u>	<u>\$ 8,152,160</u>
Enterprise – general (expenses)	<u>\$ 9,623,627</u>		<u>\$ 10,423,110</u>

See Independent Auditors' Report.

COUNCIL BLUFFS CITY WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2007

	2007 Actual	2007 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 7,297,777	\$ 7,705,000	\$ (407,223)
Rental	77,533	69,000	8,533
Other	965,625	499,900	465,725
Total operating revenues	<u>\$ 8,340,935</u>	<u>\$ 8,273,900</u>	<u>\$ 67,035</u>
Operating expenses:			
Facilities and maintenance	\$ 735,260	\$ 761,205	\$ 25,945
Purification	1,010,931	974,400	(36,531)
Transmission and distribution	791,993	797,200	5,207
Consumer accounting and meter division	718,074	735,700	17,626
Administration and general	1,534,113	1,692,050	157,937
Pension and social security	260,051	257,000	(3,051)
Total operating expenses	<u>\$ 5,050,422</u>	<u>\$ 5,217,555</u>	<u>\$ 167,133</u>
Operating income	<u>\$ 3,290,513</u>	<u>\$ 3,056,345</u>	<u>\$ 234,168</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 486,730	\$ 360,000	\$ 126,730
Interest expense	(251,762)	(248,473)	(3,289)
Loss on disposal of equipment	(78,352)	(15,000)	(63,352)
Nonoperating revenues, net	<u>\$ 156,616</u>	<u>\$ 96,527</u>	<u>\$ 60,089</u>
Change in net assets before depreciation	\$ 3,447,129	<u>\$ 3,152,872</u>	<u>\$ 294,257</u>
Depreciation	(2,373,409)		
Contributions in aid of construction	762,759		
	<u>\$ 1,836,479</u>		
Total net assets beginning	<u>36,733,696</u>		
Total net assets ending	<u>\$ 38,570,175</u>		