



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE March 8, 2007

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the City of Council Bluffs, Iowa.

The City's revenues totaled \$113,676,646 for the year ended June 30, 2006, a 41 percent increase over the prior year. Revenues included \$38,259,517 in property and other city tax, \$1,230,247 from tax increment financing, \$16,620,296 from charges for service, \$12,045,998 from operating grants, contributions and restricted interest, \$35,607,714 from capital grants, contributions and restricted interest, \$8,245,253 from local option sales tax, \$796,565 from unrestricted investment earnings and \$871,056 from other general revenues.

Expenses for City operations totaled \$76,005,504, a 14 percent increase over the prior year, and included \$23,367,537 for public safety, \$12,179,474 for public works and \$14,411,811 for community and economic development. Expenses for business type activities totaled \$9,938,326.

The significant increase in revenues is due primarily to capital contributions received by the City for the Bass Pro Outdoor World Center. Expenses increased primarily in the community and economic development function.

A copy of the report is available for review in the City Finance Director's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF COUNCIL BLUFFS**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2006**

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**City of Council Bluffs**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2006)</b>		
Thomas Hanafan	Mayor	Jan 2006
Scott Belt	Mayor Pro tem	Jan 2006
Arthur Hill (Appointed)	Council Member	Nov 2005
David Tobias	Council Member	Jan 2006
Lynne Branigan	Council Member	Jan 2008
Chad Primmer	Council Member	Resigned
Matt Walsh	Council Member	Jan 2008
Cindy Lynch	Personnel Director	Indefinite
Scott Sanders	Director of Finance	Indefinite
Janet Obrecht	Internal Auditor	Indefinite
Cheryl Punteney	City Clerk	Indefinite
Rita Milner	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite
<b>(After January 2006)</b>		
Thomas Hanafan	Mayor	Jan 2010
Scott Belt	Mayor Pro tem	Jan 2010
Lynne Branigan	Council Member	Jan 2008
Matthew Schultz	Council Member	Jan 2008
Matt Walsh	Council Member	Jan 2008
Darren Bates	Council Member	Jan 2010
Cindy Lynch	Personnel Director	Indefinite
Scott Sanders	Director of Finance	Indefinite
Marcia Worden	Acting City Clerk	Indefinite
Rita Milner	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Council Bluffs Airport Authority, is based solely upon the report of the other auditors.

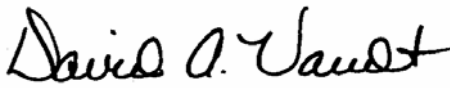
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2006 on our consideration of the City of Council Bluffs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Council Bluffs' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 19, 2006



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This discussion and analysis of the City of Council Bluffs financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements which follow this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Council Bluffs exceeded liabilities at June 30, 2006 by \$269,413,592. Of this amount, \$8,500,464 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$37,671,142 during the year. The net assets associated with governmental activities increased \$25,793,700 and the net assets associated with business type activities increased by \$11,877,442.
- The City's overall long-term liabilities increased to \$64,044,123 during the year, an increase of \$13,084,195 reflecting the issuance of \$17,000,000 Urban Renewal Revenue Notes for the Bass Pro Project. The general obligation bond portion of indebtedness decreased by \$2,700,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to Management's Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of City government. An additional part of the basic financial statements are notes to financial statements. The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental, internal service and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City of Council Bluffs in a better financial position at the end of this fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a

whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, such as police, fire, public works and parks department, and general administration. Property taxes, user fees and state and federal grants finance most of these activities.
- Business Type Activities – The City charges fees to customers to cover the cost of these services. Included here are the City's sewer and solid waste activities.
- Component Units – These are operations that are legally separate from the City but for which the City is financially accountable. The City's discretely presented component units are the Council Bluffs Airport Authority and the Library Foundation.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show it is properly using certain revenues (such as local option sales tax revenues). The City has the following types of funds:

- Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. A description is provided detailing the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.
- Proprietary Funds – When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

Fiduciary funds are used to account for resources held for the benefit of parties outside of City government. The City is the trustee, or fiduciary, for the Section 8 and Municipal Housing Agency and the Firemen's Pension and 411 Benefits, which can be used only for the trust beneficiaries. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 18 on page 52, beginning governmental and business type activities net assets decreased by \$4,882,077 and \$1,611,448, respectively, to correct prior year capital assets and related accumulated depreciation. Beginning governmental activities and business type activities net assets decreased and increased, respectively, by \$3,758,547 to reclassify general obligation bonds payable from the business type activities to the governmental activities. To enhance comparability, all amounts presented for fiscal year 2005 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, street and sewer networks, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The analysis that follows shows the City's total net assets at June 30, 2006 and 2005.

	Governmental Activities		Business Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
	Current and other assets	\$ 64,315,971	62,752,103	6,319,748	6,161,245	70,635,719
Capital assets	216,281,805	179,443,720	90,079,387	79,640,287	306,361,192	259,084,007
Total assets	280,597,776	242,195,823	96,399,135	85,801,532	376,996,911	327,997,355
Long-term liabilities	63,123,159	49,691,619	920,964	1,268,309	64,044,123	50,959,928
Other liabilities	42,248,597	43,071,884	1,290,599	2,223,093	43,539,196	45,294,977
Total liabilities	105,371,756	92,763,503	2,211,563	3,491,402	107,583,319	96,254,905
Net assets:						
Invested in capital assets, net of related debt	159,110,952	130,817,434	88,862,559	78,050,973	247,973,511	208,868,407
Restricted	12,939,617	12,231,403	-	-	12,939,617	12,231,403
Unrestricted	3,175,451	6,383,483	5,325,013	4,259,157	8,500,464	10,642,640
Total net assets	\$175,226,020	149,432,320	94,187,572	82,310,130	269,413,592	231,742,450

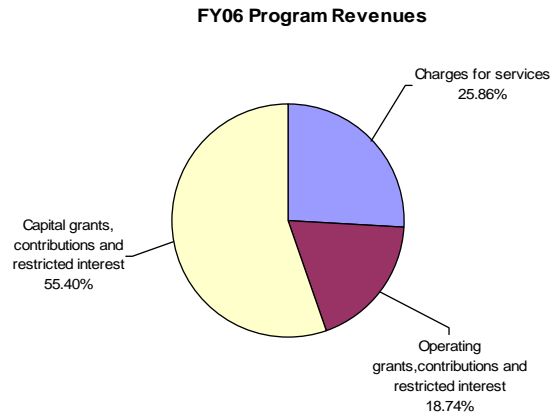
Net assets of governmental activities increased from FY 2005, as restated, by approximately \$25.8 million, or 17%. Net assets of business type activities increased from FY 2005, as restated, by approximately \$11.9 million, or 14%. Capital assets of governmental activities increased \$36.8 million, or 21%, from fiscal 2005, primarily due to the acquisition of the Bass Pro Outdoor World, L.L.C., (Bass Pro Shop) land, building and related assets. Capital assets of business type

activities increased \$10.4 million, or 13%, from fiscal 2005, primarily due to an increase in sewer and storm infrastructure, including developer donated sanitary and storm sewers. Long term liabilities of governmental activities increased \$13.4 million, or 27%, from fiscal 2005, primarily due to the issuance of \$17,000,000 urban renewal revenue notes, netted against the early redemption of \$3,825,000 of general obligation bonds.

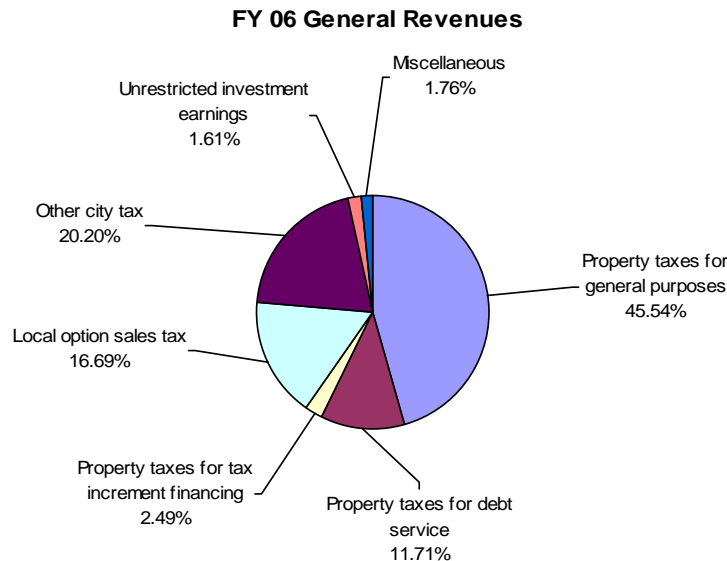
The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$8.5 million. Restricted net assets increased over fiscal 2005 by approximately \$708,000, or 5.8%. Unrestricted net assets decreased from 2005 by approximately \$2,142,000, or 20.1%, primarily due to an increase in debt reported in the governmental activities for assets that are capitalized in the business type activities.

	Governmental Activities		Business Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Revenues:						
Program revenues:						
Charges for service	\$ 7,876,060	7,607,625	8,744,236	8,309,406	16,620,296	15,917,031
Operating grants, contributions and restricted interest	11,882,076	9,049,800	163,922	219,770	12,045,998	9,269,570
Capital grants, contributions and restricted interest	31,289,080	8,119,602	4,318,634	661,474	35,607,714	8,781,076
General revenues:						
Property tax levied for:						
General purposes	22,497,883	21,105,126	-	-	22,497,883	21,105,126
Debt service	5,783,551	5,698,312	-	-	5,783,551	5,698,312
Tax increment financing	1,230,247	902,756	-	-	1,230,247	902,756
Local option sales tax	1,435,178	2,909,653	6,810,075	4,116,833	8,245,253	7,026,486
Other city tax	9,978,083	9,305,109	-	-	9,978,083	9,305,109
Unrestricted investment earnings	796,565	478,686	-	-	796,565	478,686
Gain (loss) on sale of capital assets	-	-	1,226	-	1,226	-
Miscellaneous	869,830	1,847,941	-	194,729	869,830	2,042,670
Total revenues	93,638,553	67,024,610	20,038,093	13,502,212	113,676,646	80,526,822
Program expenses:						
Public safety	23,367,537	22,792,665	-	-	23,367,537	22,792,665
Public works	12,179,474	11,435,866	-	-	12,179,474	11,435,866
Health and social services	497,478	1,195,682	-	-	497,478	1,195,682
Culture and recreation	6,407,003	7,152,050	-	-	6,407,003	7,152,050
Community and economic development	14,411,811	5,894,143	-	-	14,411,811	5,894,143
General government	6,346,367	6,200,773	-	-	6,346,367	6,200,773
Interest on long-term debt	2,857,508	2,498,456	-	-	2,857,508	2,498,456
Sewer	-	-	6,608,528	6,013,604	6,608,528	6,013,604
Other	-	-	3,329,798	3,287,588	3,329,798	3,287,588
Total expenses	66,067,178	57,169,635	9,938,326	9,301,192	76,005,504	66,470,827
Excess of revenues over expenses	27,571,375	9,854,975	10,099,767	4,201,020	37,671,142	14,055,995
Operating transfers, net	(1,777,675)	3,089,805	1,777,675	(3,089,805)	-	-
Change in net assets	25,793,700	12,944,780	11,877,442	1,111,215	37,671,142	14,055,995
Net assets, beginning of year, as restated	149,432,320	136,487,540	82,310,130	81,198,915	231,742,450	217,686,455
Net assets end of year	\$175,226,020	149,432,320	94,187,572	82,310,130	269,413,592	231,742,450

Total revenue reported for the primary government for the year ended June 30, 2006 was \$113,676,646. Program revenues totaled \$64,274,008 for the year ended June 30, 2006. Governmental activities provided \$51,047,216 and business type activities provided \$13,226,792. Revenue from charges for service during fiscal year 2006 was \$16,620,296, accounting for approximately 26% of the total program revenues. The following charts break down revenues by source:

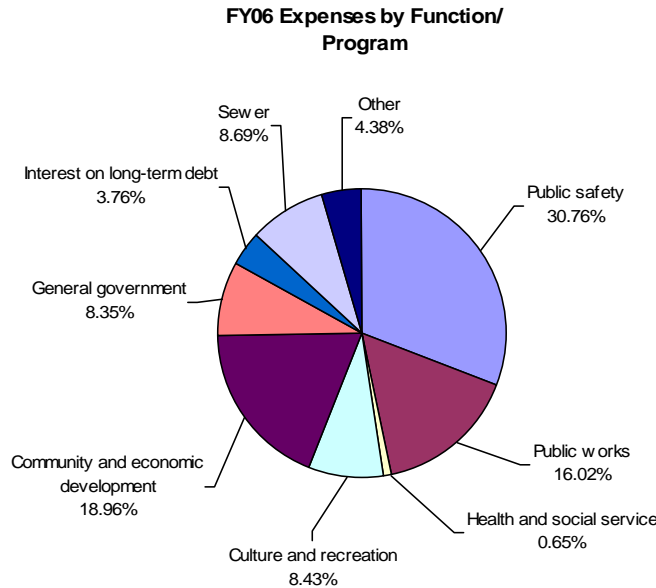


General revenues for the year ended June 30, 2006 totaled \$49,402,638. Governmental activities provided \$42,591,337 and business type activities provided \$6,811,301. Property tax revenues for FY 2006 totaled \$28,281,434, accounting for 57% of general revenues. The following chart illustrates general revenues by source:



Overall revenues increased approximately \$33.1 million, or 41%, over fiscal 2005. Capital grants, contributions and restricted interest increased due to an increase in contributions for the Bass Pro Shop and infrastructure. Unrestricted investment earnings increased due to rising interest rates.

Expenses for the primary government for the year ended June 30, 2006 totaled \$76,005,504. Expenses for governmental activities totaled \$66,067,178, accounting for 87% of total expenses. Business type activities expenses totaled \$9,938,326, or 13% of the total. The following chart breaks down expenses by function/program:



The following table shows the activities included within each function/program:

<u>Function/Program</u>	<u>Activity</u>
Public safety	Individual & community protection, physical health
Public works	Public service, utilities, transportation
Health and social services	Health regulation and inspection
Culture and recreation	Education and recreation
Community and economic development	Environmental preservation, housing and community development
General government	Policy and administration

Expenses increased overall by approximately \$9.5 million, or 14.3%, over fiscal 2005. Expenses for community and economic development increased primarily due to expenses related to the Bass Pro Shop.

### **Governmental Activities**

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense) revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for public safety, the City spent \$23,367,537 and received \$5,979,010 in revenue, leaving a cost to taxpayers of \$17,388,527, a decrease of 12.7% over FY 2005, to be funded by various methods. This format also identifies how much each function draws from general revenues or is self-sustaining through fees or grants.

Some of the individual line item revenues reported for each function are:

<u>Function/Program</u>	<u>Revenues</u>
Public safety	Fines, COPS grants, block grants
Community and economic development	HUD grants, building permits, licenses
General government	Internal charges for service

The total cost of governmental activities this year was \$66,067,178. Of these costs, \$7,876,060 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with operating and capital grants and contributions were \$43,171,156, leaving a net expense of \$15,019,962 for governmental activities. These expenses were financed by tax revenues, interest and other general revenues. The Statement of Activities provides further detail. The net (expense) revenue by governmental activities is as follows:

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>2006</u>	<u>2005</u>
<b>Governmental activities</b>		
Function/Program:		
Public safety	\$ (17,388,527)	(19,919,831)
Public works	4,520,963	(170,877)
Health and social services	(364,486)	(807,757)
Culture and recreation	(1,613,023)	(5,233,355)
Community and economic development	5,427,657	(309,405)
General government	(4,196,482)	(3,660,143)
Interest on long-term debt	(1,406,064)	(2,291,240)
Net (expense) revenue of governmental activities	(15,019,962)	(32,392,608)
General revenues and transfers	40,813,662	45,337,388
Change in net assets	<u>\$ 25,793,700</u>	<u>12,944,780</u>

Resources available during the year to finance governmental activities totaled \$241,293,198, consisting of net assets at July 1, 2005 of \$149,432,320, program revenues of \$51,047,216 and general revenues and transfers of \$40,813,662. During the year, governmental activities expenses totaled \$66,067,178. As a result, governmental activities net assets increased by \$25,793,700 to \$175,226,020.

### **Business Type Activities**

The cost of all business type activities for the year was \$9,938,326 as shown in the Statement of Activities. The amount charged to the users of the systems was \$8,744,236 and \$4,482,556 was funded from grants and contributions, resulting in total net expense for business type activities of \$3,288,466. The net (expense) revenue by business type activity for the year ended June 30, 2006 is as follows:

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>2006</u>	<u>2005</u>
<b>Business Type Activities</b>		
Sewer	\$ 3,310,995	(187,918)
Other nonmajor	(22,529)	77,376
Total net (expense) revenue	3,288,466	(110,542)
General revenues and transfers	8,588,976	1,221,757
Change in net assets	<u>\$ 11,877,442</u>	<u>1,111,215</u>

Resources available during the year to finance business type activities totaled \$104,125,898, consisting of net assets, as restated, at July 1, 2005 of \$82,310,130, program revenues of \$13,226,792 and general revenues and transfers of \$8,588,976. During the year, business type activities expenses totaled \$9,938,326. As a result, business type activities net assets increased by \$11,877,442.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balances may serve as a useful measure of net resources available for spending at the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$25,657,508. The combined governmental fund balances increased \$2,151,326 from the prior year.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The fund balance for the General Fund increased significantly by \$2,196,544 due to increased revenues and cost-cutting measures. The fund balance for the City Insurance Fund increased by \$247,214 from the prior year end. A new major fund, Bass Pro, was reported this year presenting the City and trustee transactions for the Bass Pro Shop. The Capital Projects Fund balance decreased by \$856,968, primarily due to increased project expenses. The Debt Service Fund balance increased \$379,215 from the prior year end. The total balances of the nonmajor governmental funds decreased by a net amount of \$166,977.

## **PROPRIETARY FUND HIGHLIGHTS**

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2006 with a \$90,033,895 net asset balance compared to the prior year ending net asset balance of \$78,126,951. The increase is primarily due to capital grants and contributions and more local option sales tax revenues.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was made to include higher costs for inspection contracts, library operational costs, property acquisition, election costs, information technology operational costs, attorney fees, capital projects and prepayment of principal on existing bonds to facilitate a refunding.

The City's receipts were \$520,055 more than budgeted receipts, a variance of less than 1%.

Overall, total disbursements were \$6,899,374 more than budgeted, primarily due to the City not budgeting for expenses related to the Bass Pro Shop. However, actual disbursements for the capital projects, business type activities and debt service functions were \$6,475,297, \$1,810,069 and \$1,518,535, respectively, less than budgeted. This was primarily due to some projects not progressing as quickly as planned and savings realized on refunding debt issues.

Even with the amendment, the City exceeded the budgeted amounts in the community and economic development, public works and culture and recreation functions for the year ended June 30, 2006.

The City is currently in the process of developing an operating budget for the fiscal year ending 2008 that will incorporate surpluses for most of the funds, including the General Fund.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure, represents the value of the resources utilized to provide services to our citizens. Capital assets at June 30, 2006 were \$306,361,192 (net of accumulated depreciation). See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities completed during the year include work on US 275/South 24th Street Improvements, South 6<sup>th</sup> Street Improvements, 2<sup>nd</sup> Avenue Reconstruction, South 19<sup>th</sup> Street Improvements, and South Expressway Street Improvements. The majority of the equipment acquired pertained to vehicles and equipment for the public safety function, which includes the Police and Fire Departments.

For business type activities, sewer projects completed include the US 275/South 24th Street Sewer, Greenview Pump Station, St. Orchard Road Sanitary Sewer and 29<sup>th</sup> Avenue Sanitary Sewer Pump Station.

Construction in progress at June 30, 2006 includes the Avenue G Viaduct, Wastewater Treatment Plant Improvement, and US 275 Sanitary Sewer Improvement. These projects are funded with local option sales tax revenues, debt proceeds and federal and state grants.

See Note 3 to the financial statements for more information about the city's capital assets.

### **Long-term Debt**

At June 30, 2006, the City had \$54.9 million in bonds and notes outstanding versus \$57.6 million last year. The City's general obligation bonds continue to carry an A1 rating as assigned by Moody's Investor Services. Assignment of this rating reflects the City's continued moderate tax base growth, sound financial operations and rapid debt retirement. The City continues to operate well under the State debt capacity limitation. The State limits the amount of general obligation debt outstanding to 5% of the assessed value of all taxable property in the community. Bond proceeds will fund equipment and various capital improvements in the City.

Both the City's direct and overall debt burdens of 2.12% and 3.29%, respectively, are average and the retirement of debt is rapid, with 89.9% retired in ten years and all debt retired within fifteen years. The City's property tax-supported capital improvement plan is structured such that the City's annual borrowings approximate or are less than the amounts being retired on an annual basis. Consequently, the City's debt burden is expected to decline, given expected continuation of tax base growth, rapid principal amortization and modest future debt plans of approximately \$7 million annually.

More detailed information on debt administration is provided in Note 4 to the financial statements.

## **ECONOMIC FACTORS**

The City's operating tax base has grown on average 3.3% annually from January of 2001 to January of 2005. Meanwhile, the labor-intensive operational costs typically rise between 6% and 7% annually. Due to the recent need for budget cuts, City officials continue to take a conservative approach to future spending. While the difficult economic times are subsiding, gaming revenues, local sales tax revenues and expansion of the City's retail centers have diversified the tax base. Nevertheless, the gaming industry remains a dominant economic factor, comprising nearly 8% of the City's taxable valuation and a large percentage of the labor force.

Local option sales tax revenue continues to be strong at about \$8 million in FY 2006. Revenue is expected to increase further due to the opening of new retail establishments.

Another indication of improving economics is the increase in hotel/motel tax collections. It has increased to over \$2,000,000 in annual revenue. The improvement is due to more hotels being built and more attractions and events drawing patrons from out of town. The increase in revenues is projected to continue into the near future. Construction of a 150+ room hotel is nearing completion and will open in the spring of 2007.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Department at 712-328-4605.

## **Basic Financial Statements**

City of Council Bluffs  
Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 26,495,404	3,543,341	30,038,745
Receivables:			
Property tax:			
Delinquent	627,489	-	627,489
Succeeding year	26,838,000	-	26,838,000
Tax increment financing:			
Delinquent	11,156	-	11,156
Succeeding year	1,267,000	-	1,267,000
Accounts (net of \$76,000 allowance for uncollectible accounts in the General Fund)	2,968,330	723,400	3,691,730
Special and drainage assessments	299,604	-	299,604
Customer accounts and unbilled usage	-	954,962	954,962
Accrued interest	9,353	-	9,353
Installment loans (net)	840,368	-	840,368
Due from other governments	2,319,169	998,988	3,318,157
Inventories	902,284	99,057	1,001,341
Prepaid insurance	274,502	-	274,502
Total current assets	<u>62,852,659</u>	<u>6,319,748</u>	<u>69,172,407</u>
Noncurrent assets:			
Land held for resale	1,463,312	-	1,463,312
Capital assets (net of accumulated depreciation)	216,281,805	90,079,387	306,361,192
Bond issuance costs	-	-	-
Total noncurrent assets	<u>217,745,117</u>	<u>90,079,387</u>	<u>307,824,504</u>
<b>Total assets</b>	<u>280,597,776</u>	<u>96,399,135</u>	<u>376,996,911</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,500,934	569,108	4,070,042
Salaries and benefits payable	1,138,693	140,936	1,279,629
Accrued interest payable	223,906	-	223,906
Due to other governments	82,052	2,843	84,895
Deferred revenue:			
Succeeding year property tax	26,838,000	-	26,838,000
Succeeding year tax increment financing	1,267,000	-	1,267,000
Unearned revenue	-	67,269	67,269
Current portion due within one year:			
General obligation bonds/notes	7,290,872	347,128	7,638,000
Urban renewal revenue capital loan note	502,394	-	502,394
Capital lease purchase agreement	15,169	-	15,169
Compensated absences	1,389,577	163,315	1,552,892
Total current liabilities	<u>42,248,597</u>	<u>1,290,599</u>	<u>43,539,196</u>
Noncurrent liabilities:			
Bonds payable	-	-	-
General obligation bonds/notes	46,402,300	869,700	47,272,000
Urban renewal revenue capital loan note	16,255,029	-	16,255,029
Capital lease purchase agreement	52,675	-	52,675
Compensated absences	413,155	51,264	464,419
Total noncurrent liabilities	<u>63,123,159</u>	<u>920,964</u>	<u>64,044,123</u>
<b>Total liabilities</b>	<u>105,371,756</u>	<u>2,211,563</u>	<u>107,583,319</u>

Component Units	
Airport Authority	Library Foundation
2,189,534	1,545,665
7,527	-
-	-
-	-
-	-
13,291	-
-	-
-	-
-	-
140,370	-
-	-
16,005	-
<u>2,366,727</u>	<u>1,545,665</u>
-	-
14,716,109	-
60,780	-
<u>14,776,889</u>	<u>-</u>
<u>17,143,616</u>	<u>1,545,665</u>
65,410	-
3,228	-
-	-
-	-
-	-
2,520	-
-	-
-	-
-	-
-	-
<u>71,158</u>	<u>-</u>
3,255,000	-
-	-
-	-
-	-
<u>3,255,000</u>	<u>-</u>
<u>3,326,158</u>	<u>-</u>

City of Council Bluffs  
Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	159,110,952	88,862,559	247,973,511
Restricted for:			
Local option sales tax	3,425,620	-	3,425,620
Streets	1,664,329	-	1,664,329
Library	-	-	-
Debt service	1,730,513	-	1,730,513
Capital projects	2,754,802	-	2,754,802
Other purposes	3,364,353	-	3,364,353
Unrestricted	3,175,451	5,325,013	8,500,464
<b>Total net assets</b>	<b>\$ 175,226,020</b>	<b>94,187,572</b>	<b>269,413,592</b>

See notes to financial statements.

Component Units	
Airport Authority	Library Foundation
11,461,109	-
-	-
-	1,545,665
-	-
-	-
-	-
2,356,349	-
<u>13,817,458</u>	<u>1,545,665</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2006

Functions/Programs:	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 23,367,537	3,432,067	240,889	2,306,054
Public works	12,179,474	439,964	5,226,663	11,033,810
Health and social services	497,478	21,127	111,865	-
Culture and recreation	6,407,003	1,412,165	554,743	2,827,072
Community and economic development	14,411,811	421,634	4,295,690	15,122,144
General government	6,346,367	2,149,103	782	-
Interest on long-term debt	2,857,508	-	1,451,444	-
Total governmental activities	66,067,178	7,876,060	11,882,076	31,289,080
Business Type Activities:				
Sewer	6,608,528	5,447,587	153,302	4,318,634
Other	3,329,798	3,296,649	10,620	-
Total business type activities	9,938,326	8,744,236	163,922	4,318,634
Total primary government	\$ 76,005,504	16,620,296	12,045,998	35,607,714
<b>Component Units:</b>				
Airport Authority	\$ 481,120	99,633	-	4,661,466
Library Foundation	97,939	-	162,315	-
Total component units	\$ 579,059	99,633	162,315	4,661,466
<b>General Revenues and Transfers:</b>				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other city tax				
Gain on sale of capital assets				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.



Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Library Foundation	
(17,388,527)	-	(17,388,527)	-	-	
4,520,963	-	4,520,963	-	-	
(364,486)	-	(364,486)	-	-	
(1,613,023)	-	(1,613,023)	-	-	
5,427,657	-	5,427,657	-	-	
(4,196,482)	-	(4,196,482)	-	-	
(1,406,064)	-	(1,406,064)	-	-	
(15,019,962)	-	(15,019,962)	-	-	
-	3,310,995	3,310,995	-	-	
-	(22,529)	(22,529)	-	-	
-	3,288,466	3,288,466	-	-	
(15,019,962)	3,288,466	(11,731,496)	-	-	
-	-	-	4,279,979	-	
-	-	-	-	64,376	
-	-	-	4,279,979	64,376	
22,497,883	-	22,497,883	366,407	-	
5,783,551	-	5,783,551	-	-	
1,230,247	-	1,230,247	-	-	
1,435,178	6,810,075	8,245,253	-	-	
9,978,083	-	9,978,083	-	-	
-	1,226	1,226	-	-	
796,565	-	796,565	6,578	-	
869,830	-	869,830	24,396	-	
(1,777,675)	1,777,675	-	-	-	
40,813,662	8,588,976	49,402,638	397,381	-	
25,793,700	11,877,442	37,671,142	4,677,360	64,376	
149,432,320	82,310,130	231,742,450	9,140,098	1,481,289	
\$ 175,226,020	94,187,572	269,413,592	13,817,458	1,545,665	

**Exhibit C**

City of Council Bluffs

Balance Sheet  
Governmental Funds

June 30, 2006

	Special Revenue						Total
	General	City Insurance	Bass Pro	Debt Service	Capital Projects	Nonmajor	
<b>Assets</b>							
Cash and pooled investments	\$ 5,131,271	415,690	292,943	1,057,324	9,416,635	6,596,344	22,910,207
Receivables:							
Property tax:							
Delinquent	316,767	77,196	-	127,029	-	106,497	627,489
Succeeding year	13,589,000	3,301,000	-	5,524,000	-	4,424,000	26,838,000
Tax increment financing:							
Delinquent	-	-	-	-	-	11,156	11,156
Succeeding year	-	-	-	-	-	1,267,000	1,267,000
Accounts (net)	1,421,453	-	60,522	-	1,252,010	13,783	2,747,768
Special and drainage assessments	159,464	-	-	-	323	139,817	299,604
Accrued interest	3,015	-	-	-	-	958	3,973
Installment loans (net)	-	-	-	-	-	840,368	840,368
Advance to other funds	1,933,648	-	-	-	-	-	1,933,648
Due from other funds	170,724	-	-	-	-	-	170,724
Due from other governments	770,681	-	-	-	692,051	856,437	2,319,169
Inventories	220,126	-	-	-	-	682,158	902,284
Prepaid insurance	274,502	-	-	-	-	-	274,502
Land held for resale	-	-	-	-	1,463,312	-	1,463,312
<b>Total assets</b>	<b>\$ 23,990,651</b>	<b>3,793,886</b>	<b>353,465</b>	<b>6,708,353</b>	<b>12,824,331</b>	<b>14,938,518</b>	<b>62,609,204</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 526,204	-	1,167	-	2,255,661	199,357	2,982,389
Salaries and benefits payable	991,978	-	-	-	-	146,715	1,138,693
Due to other funds	-	-	-	-	-	170,724	170,724
Advance from other funds	-	-	-	-	-	1,933,648	1,933,648
Due to other governments	76,290	-	-	-	3,979	1,783	82,052
Deferred revenue:							
Succeeding year property tax	13,589,000	3,301,000	-	5,524,000	-	4,424,000	26,838,000
Succeeding year tax increment financing	-	-	-	-	-	1,267,000	1,267,000
Other	1,081,786	21,296	-	36,465	1,209,227	190,416	2,539,190
Total liabilities	<b>16,265,258</b>	<b>3,322,296</b>	<b>1,167</b>	<b>5,560,465</b>	<b>3,468,867</b>	<b>8,333,643</b>	<b>36,951,696</b>
Fund balances:							
Reserved for:							
Prepaid insurance	274,502	-	-	-	-	-	274,502
Encumbrances	8,400	-	-	-	232,654	-	241,054
Debt service	-	-	-	1,147,888	-	417,768	1,565,656
Advance to other funds	1,933,648	-	-	-	-	-	1,933,648
Permanent fund	-	-	-	-	-	59,105	59,105
Unreserved:							
General fund	5,508,843	-	-	-	-	-	5,508,843
Special revenue funds	-	471,590	352,298	-	-	6,128,002	6,951,890
Capital projects fund	-	-	-	-	9,122,810	-	9,122,810
Total fund balances	<b>7,725,393</b>	<b>471,590</b>	<b>352,298</b>	<b>1,147,888</b>	<b>9,355,464</b>	<b>6,604,875</b>	<b>25,657,508</b>
<b>Total liabilities and fund balances</b>	<b>\$ 23,990,651</b>	<b>3,793,886</b>	<b>353,465</b>	<b>6,708,353</b>	<b>12,824,331</b>	<b>14,938,518</b>	<b>62,609,204</b>

See notes to financial statements.

City of Council Bluffs

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2006

**Total governmental fund balances (page 24)** \$ 25,657,508

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of capital assets, excluding Internal Service Funds, is \$277,728,352 and the accumulated depreciation is \$61,446,547 216,281,805

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 2,539,190

Internal Service Funds are used by management to charge the costs of certain activities to individual funds, including the partial self funding of the City's health insurance benefit plan. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 3,292,594

Long-term liabilities, including bonds and notes payable, capital lease purchase agreement payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (72,545,077)

**Net assets of governmental activities (page 20)** \$175,226,020

See notes to financial statements.

**Exhibit E**

City of Council Bluffs

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2006

	Special Revenue			Debt Service	Capital Projects	Nonmajor	Total
	General	City Insurance	Bass Pro				
<b>Revenues:</b>							
Property tax	\$14,287,603	3,372,243	-	5,803,548	-	4,918,509	28,381,903
Tax increment financing	-	-	-	-	-	1,230,247	1,230,247
Other city tax	8,772,334	290,051	-	494,558	-	1,856,318	11,413,261
Licenses and permits	1,040,618	-	-	-	-	11,130	1,051,748
Use of money and property	907,575	-	300,662	378,389	-	37,449	1,624,075
Intergovernmental	793,588	-	-	-	4,965,780	6,719,634	12,479,002
Charges for service	3,169,444	-	-	-	-	650,319	3,819,763
Special and drainage assessments	-	-	-	628	-	110,994	111,622
Miscellaneous	1,429,419	-	772,392	-	6,739,742	2,742,539	11,684,092
Total revenues	30,400,581	3,662,294	1,073,054	6,677,123	11,705,522	18,277,139	71,795,713
<b>Expenditures:</b>							
<b>Operating:</b>							
Public safety	23,181,662	-	-	-	-	400,821	23,582,483
Public works	1,532,607	-	-	-	-	6,781,377	8,313,984
Health and social services	494,114	-	-	-	-	13,996	508,110
Culture and recreation	4,912,999	-	-	-	-	306,483	5,219,482
Community and economic development	284,748	-	17,089,092	-	-	5,045,875	22,419,715
General government	5,209,800	-	-	-	-	88,451	5,298,251
<b>Debt service:</b>							
Principal redeemed	-	-	242,577	6,712,500	-	-	6,955,077
Interest paid	-	-	489,087	2,325,787	-	-	2,814,874
Miscellaneous debt expense	-	-	-	64,445	-	-	64,445
Capital projects	-	-	-	-	18,272,003	-	18,272,003
Total expenditures	35,615,930	-	17,820,756	9,102,732	18,272,003	12,637,003	93,448,424
Excess (deficiency) of revenues over (under) expenditures	(5,215,349)	3,662,294	(16,747,702)	(2,425,609)	(6,566,481)	5,640,136	(21,652,711)
<b>Other financing sources (uses):</b>							
General obligation bonds issued	-	-	-	3,860,949	4,359,051	-	8,220,000
Premium on general obligation bonds issued	-	-	-	46,214	-	-	46,214
Urban renewal revenue capital loan note issued	-	-	17,000,000	-	-	-	17,000,000
General obligation capital loan notes refunded	-	-	-	(3,825,000)	-	-	(3,825,000)
Operating transfers in	9,099,784	1,250,000	100,000	2,722,661	1,350,678	987,586	15,510,709
Operating transfers out	(1,687,891)	(4,665,080)	-	-	(216)	(6,794,699)	(13,147,886)
Total other financing sources (uses)	7,411,893	(3,415,080)	17,100,000	2,804,824	5,709,513	(5,807,113)	23,804,037
Net change in fund balances	2,196,544	247,214	352,298	379,215	(856,968)	(166,977)	2,151,326
Fund balances beginning of year	5,528,849	224,376	-	768,673	10,212,432	6,771,852	23,506,182
Fund balances end of year	\$ 7,725,393	471,590	352,298	1,147,888	9,355,464	6,604,875	25,657,508

See notes to financial statements.

City of Council Bluffs

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

**Net change in fund balances-total governmental funds (page 26)** \$ 2,151,326

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays and contributed assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 24,277,168	
Contributed assets	20,276,591	
Depreciation expense	(7,697,104)	36,856,655

In the Statement of Activities, the loss on the sale of capital assets is expensed, whereas the proceeds from the sale increase financial resources in the governmental funds. (16,751)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(100,469)	
Other	579,432	478,963

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(25,220,000)	
Repaid	10,793,970	(14,426,030)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(106,324)	
Interest on long-term debt	(24,403)	(130,727)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds, including the partial self funding of the City's health insurance benefit plan. The change in net assets of the Internal Service Funds is reported with governmental activities. 880,264

**Change in net assets of governmental activities (page 23)** \$ 25,793,700

See notes to financial statements.

**Exhibit G**

City of Council Bluffs  
Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Business Type Activities - Enterprise			Governmental
	Nonmajor -		Total	Activities
	Sewer	Refuse and Disposal		Internal Service
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 2,559,150	984,191	3,543,341	3,585,197
Receivables:				
Accounts	-	723,400	723,400	220,562
Customer accounts and unbilled usage	954,962	-	954,962	-
Accrued interest	-	-	-	5,380
Due from other governments	998,988	-	998,988	-
Inventories	83,339	15,718	99,057	-
Total current assets	4,596,439	1,723,309	6,319,748	3,811,139
Noncurrent assets:				
Capital assets, net of accumulated depreciation	87,319,297	2,760,090	90,079,387	-
<b>Total assets</b>	91,915,736	4,483,399	96,399,135	3,811,139
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	364,949	204,159	569,108	518,545
Salaries and benefits payable	114,653	26,283	140,936	-
Due to other governments	2,682	161	2,843	-
Unearned revenue	-	67,269	67,269	-
General obligation bonds	347,128	-	347,128	-
Compensated absences	135,205	28,110	163,315	-
Total current liabilities	964,617	325,982	1,290,599	518,545
Noncurrent liabilities:				
General obligation bonds	869,700	-	869,700	-
Compensated absences	47,524	3,740	51,264	-
Total noncurrent liabilities	917,224	3,740	920,964	-
<b>Total liabilities</b>	1,881,841	329,722	2,211,563	518,545
<b>Net Assets</b>				
Invested in capital assets, net of related debt	86,102,469	2,760,090	88,862,559	-
Unrestricted	3,931,426	1,393,587	5,325,013	3,292,594
<b>Total net assets</b>	\$ 90,033,895	4,153,677	94,187,572	3,292,594

See notes to financial statements.

## City of Council Bluffs

Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2006

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Operating revenues:				
Use of money and property	\$ 7,570	-	7,570	-
Charges for service	5,402,954	2,920,264	8,323,218	7,439,949
Miscellaneous	146,711	376,385	523,096	590,441
Total operating revenues	5,557,235	3,296,649	8,853,884	8,030,390
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	3,230,884
Public works	-	-	-	1,023,067
Health and social services	-	-	-	163,619
Culture and recreation	-	-	-	452,756
Community and economic development	-	-	-	134,563
General government	-	-	-	1,406,376
Business type activities:				
Sewer system and sewage disposal	4,602,880	-	4,602,880	-
Refuse disposal	-	3,184,310	3,184,310	-
Depreciation	1,927,380	145,488	2,072,868	-
Insurance	-	-	-	834,187
Total operating expenses	6,530,260	3,329,798	9,860,058	7,245,452
Operating income (loss)	(973,025)	(33,149)	(1,006,174)	784,938
Nonoperating revenues (expenses):				
Local option sales tax	6,810,075	-	6,810,075	-
Interest income	-	-	-	95,326
State and federal grants	43,654	10,620	54,274	-
Reimbursements from other governments	216,722	-	216,722	-
Interest expense	(68,254)	-	(68,254)	-
Miscellaneous debt expense	(10,014)	-	(10,014)	-
Gain on sale of capital assets	-	1,226	1,226	-
Total nonoperating revenues (expenses)	6,992,183	11,846	7,004,029	95,326
Net income (loss) before contributions and transfers	6,019,158	(21,303)	5,997,855	880,264
Contributions and transfers:				
Capital contributions	8,242,410	-	8,242,410	-
Transfers in	9,040	-	9,040	-
Transfers out	(2,363,664)	(8,199)	(2,371,863)	-
Total contributions and transfers	5,887,786	(8,199)	5,879,587	-
Change in net assets	11,906,944	(29,502)	11,877,442	880,264
Net assets beginning of year, as restated	78,126,951	4,183,179	82,310,130	2,412,330
Net assets end of year	\$ 90,033,895	4,153,677	94,187,572	3,292,594

See notes to financial statements.

**Exhibit I**

## City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,349,421	3,003,611	8,353,032	7,467,095
Cash received from other revenues	155,087	374,116	529,203	649,813
Cash paid for personal services	(3,062,095)	(759,086)	(3,821,181)	-
Cash paid to suppliers	(2,426,970)	(2,431,318)	(4,858,288)	(7,475,024)
Net cash provided by operating activities	15,443	187,323	202,766	641,884
Cash flows from noncapital financing activities:				
Transfers from other funds	9,040	-	9,040	-
Transfers to other funds	(2,363,664)	(8,199)	(2,371,863)	-
Net cash used by noncapital financing activities	(2,354,624)	(8,199)	(2,362,823)	-
Cash flows from investing activities:				
Interest on investments	-	-	-	89,946
Cash flows from capital and related financing activities:				
Nonoperating grants received	105,889	31,532	137,421	-
Local option sales tax	6,406,114	-	6,406,114	-
Reimbursements from other governments	250,796	-	250,796	-
Acquisition of capital assets	(4,263,958)	(4,374)	(4,268,332)	-
Principal paid on general obligation capital loan notes	(382,500)	-	(382,500)	-
Interest paid on general obligation capital loan notes	(68,254)	-	(68,254)	-
Net cash provided by capital and related financing activities	2,048,087	27,158	2,075,245	-
Net increase (decrease) in cash and cash equivalents	(291,094)	206,282	(84,812)	731,830
Cash and cash equivalents beginning of year	2,850,244	777,909	3,628,153	2,853,367
Cash and cash equivalents end of year	\$ 2,559,150	984,191	3,543,341	3,585,197



City of Council Bluffs  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2006

	Business Type Activities - Enterprise			Governmental Activities
	Sewer	Nonmajor - Refuse and Disposal	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (973,025)	(33,149)	(1,006,174)	784,938
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,927,380	145,488	2,072,868	-
Decrease in accounts receivable	806	-	806	86,518
(Increase) decrease in customer accounts receivable and unbilled usage	(53,533)	77,470	23,937	-
Decrease in prepaid insurance	-	-	-	78,142
(Increase) decrease in inventories	24,595	(5,911)	18,684	-
Decrease in accounts payable	(917,101)	(3,730)	(920,831)	(307,714)
Increase in salaries and benefits payable	15,631	547	16,178	-
Decrease in due to other governments	(15,232)	(1,268)	(16,500)	-
Increase in deferred revenue	-	3,609	3,609	-
Increase in compensated absences	5,922	4,267	10,189	-
Total adjustments	988,468	220,472	1,208,940	(143,054)
Net cash provided by operating activities	\$ 15,443	187,323	202,766	641,884

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, capital assets of \$4,140,498 and \$4,101,912 were contributed to the Sewer Fund by the Capital Projects Fund and developers, respectively. In accordance with U.S. generally accepted accounting principles, the contribution from the Capital Projects Fund is recorded as a transfer for both the governmental activities and the business type activities on the Statement of Activities.

See notes to financial statements.

City of Council Bluffs  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	Pension and Other Employee Benefit Trust	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 236,914	50
Receivables:		
Property tax:		
Delinquent	2,413	-
Succeeding year	87,000	-
Accounts	-	331
Due from other governments	-	48,676
<b>Total assets</b>	326,327	49,057
<b>Liabilities</b>		
Accounts payable	7,827	-
Due to other governments	-	23,588
Salaries and benefits payable	-	22,568
Trusts payable	-	2,901
Deferred revenue:		
Succeeding year property tax	87,000	-
Other	940	-
<b>Total liabilities</b>	95,767	49,057
<b>Net assets held in trust for employee benefits</b>	\$ 230,560	-

See notes to financial statements.

City of Council Bluffs  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds

Year ended June 30, 2006

	Pension and Other Employee Benefit Trust
Additions:	
Property and other city tax	\$ 159,875
Miscellaneous	946
Total additions	160,821
Deductions:	
Benefits and refunds paid to plan members	93,153
Change in net assets held in trust for employee benefits	67,668
Net assets held in trust for employee benefits beginning of year	162,892
Net assets held in trust for employee benefits end of year	\$ 230,560

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

The City of Council Bluffs is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also operates the airport and provides sewer and sanitation utilities for its citizens.

The financial statements of the City of Council Bluffs have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Council Bluffs has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City's 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 City 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 City.

These financial statements present the City of Council Bluffs (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Council Bluffs Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a seven member board appointed by the Mayor, with concurrence of a majority of the City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority and collects and remits the tax levied by the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

The Council Bluffs Public Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and literary purposes for the enhancement and improvement of the Council Bluffs Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Council Bluffs Library.

#### Jointly Governed Organization

The City also participates in the Pottawattamie County Assessor's Conference Board, a jointly governed organization established pursuant to Chapter 441 of the Code of Iowa.

#### Related Organizations and Organizations with Joint Venture Characteristics

The City participates in several related organizations or related organizations with joint venture characteristics for which the City is not financially accountable even though the City appoints a voting majority of the organization's governing board or the organization's financial activity is reported in the City's financial statements and in another participating government's financial statements. City officials are members of or appoint representatives to the following organizations: Municipal Housing Agency; Convention and Visitors Bureau; the Pottawattamie County Communications Center Commission and the Council Bluffs Municipal Waterworks. An audit of the Council Bluffs Municipal Waterworks has been completed by other independent auditors and is filed under separate cover.

### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, City Insurance Fund is used to account for employee benefits (health insurance, long-term disability).

The Special Revenue, Bass Pro Fund is used to account for the payment of interest and principal on the City's urban renewal revenue capital loan note debt and maintenance of the Bass Pro Shop.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following proprietary funds:

The Refuse and Disposal Fund is used to account for the operation and maintenance of the city's solid waste collection and recycling system.

Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

Fiduciary Trust and Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments are stated at fair value except for the investments in the Iowa Public Agency Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2006 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2005.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Special and Drainage Assessments Receivable – Special and drainage assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax. Assessments receivable represent assessments which are due and payable but have not been collected.



Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories consist of materials and supplies. Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$ 25,000
Machinery, equipment and vehicles	5,000
Infrastructure	50,000

Effective July 1, 2005, the capitalization thresholds for land, buildings and improvements; machinery, equipment and vehicles; and infrastructure increased from \$1,000 to \$25,000; over \$1,000 to \$5,000; and from \$25,000 to \$50,000, respectively. Due to this policy change, the City's July 1, 2005 net assets for governmental and business type activities decreased by \$3,138,747 and \$343,208, respectively.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	40-50 years
Land improvements	10-20 years
Machinery and equipment	5-30 years
Vehicles	5-10 years
Infrastructure	20-65 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the

current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end and unearned revenue.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and unearned revenue.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave benefits and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved for Encumbrances – An encumbrance represents commitments related to unperformed contracts for goods or services where appropriations lapse at year-end and the City intends to honor them. For governmental funds, encumbrances outstanding at year-end are disclosed by a reservation of fund balance.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation and community and economic development functions.

#### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The City's investments at June 30, 2006 are as follows:

	Fair Value	Maturity
U.S. Treasury securities	\$ 241,599	November 2010
Repurchase agreements	<u>400,000</u>	July 2006
Total	<u>\$ 641,599</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,534,577 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation's investments at June 30, 2006 consist of mutual funds with a fair value of \$1,545,665.

Interest rate and custodial credit risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the investment of operating funds (funds reasonably expected to be expended during the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days. However, all investments of the City shall have maturities consistent with the needs and uses of the City.

The City's \$400,000 investment in repurchase agreements is held in the name of the City and underlying securities (totaling \$400,000) are held by an authorized custodian of the City.

Credit risk: The City's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk: The City's investment policy has the following limitations: no more than 10% of the investment portfolio may be invested in prime banker's acceptances, commercial paper or other short-term corporate debt; no more than 5% of the investment portfolio may be invested in the securities of a single issuer; and no more than 5% of all amounts invested in commercial paper or other short-term corporate debt shall be invested in paper and debt rated in the second highest classification. When possible, it is the City's policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer or a specific class of securities.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,038,603	244,837	(5,000)	14,278,440
Construction in progress - infrastructure	13,751,645	10,813,470	(5,080,612)	19,484,503
Construction in progress - other	2,106,477	2,107,048	(418,651)	3,794,874
Total capital assets not being depreciated	29,896,725	13,165,355	(5,504,263)	37,557,817
Capital assets being depreciated:				
Buildings	84,300,061	23,309,000	-	107,609,061
Improvements other than buildings	18,188,895	220,000	-	18,408,895
Equipment and vehicles	16,597,281	890,971	(206,509)	17,281,743
Infrastructure, road network and other	84,391,590	12,479,246	-	96,870,836
Total capital assets being depreciated	203,477,827	36,899,217	(206,509)	240,170,535
Less accumulated depreciation for:				
Buildings	6,671,223	2,451,652	-	9,122,875
Improvements other than buildings	5,123,419	895,512	-	6,018,931
Equipment and vehicles	9,882,160	1,140,280	(181,389)	10,841,051
Infrastructure, road network and other	32,254,030	3,209,660	-	35,463,690
Total accumulated depreciation	53,930,832	7,697,104	(181,389)	61,446,547
Total capital assets being depreciated, net	149,546,995	29,202,113	(25,120)	178,723,988
Governmental activities capital assets, net	\$ 179,443,720	42,367,468	(5,529,383)	216,281,805
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,272,252	-	-	6,272,252
Construction in progress	7,477,305	8,380,328	(9,267,515)	6,590,118
Total capital assets not being depreciated	13,749,557	8,380,328	(9,267,515)	12,862,370
Capital assets being depreciated:				
Buildings	20,046,091	-	-	20,046,091
Improvements other than buildings	698,663	-	-	698,663
Equipment and vehicles	11,322,254	35,651	(16,500)	11,341,405
Infrastructure, sewer network	61,041,750	13,376,704	-	74,418,454
Total capital assets being depreciated	93,108,758	13,412,355	(16,500)	106,504,613
Less accumulated depreciation for:				
Buildings	7,635,534	386,276	-	8,021,810
Improvements other than buildings	698,663	-	-	698,663
Equipment and vehicles	4,628,546	573,511	(3,300)	5,198,757
Infrastructure, sewer network	14,255,285	1,113,081	-	15,368,366
Total accumulated depreciation	27,218,028	2,072,868	(3,300)	29,287,596
Total capital assets being depreciated, net	65,890,730	11,339,487	(13,200)	77,217,017
Business type activities capital assets, net	\$ 79,640,287	19,719,815	(9,280,715)	90,079,387

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:				
Public safety				\$ 584,590
Public works				3,482,762
Health and social services				2,953
Culture and recreation				1,324,993
Community and economic development				2,285,289
General government				<u>16,517</u>
Total depreciation expense - governmental activities				<u>\$ 7,697,104</u>
Business type activities:				
Sewer				\$ 1,927,380
Nonmajor enterprise fund - refuse and disposal				<u>145,488</u>
Total depreciation expense - business type activities				<u>\$ 2,072,868</u>
	<u>Balance</u>			<u>Balance</u>
	Beginning			End
	of Year	Increases	Decreases	of Year
	<u>of Year</u>			<u>of Year</u>
<b>Discretely presented component unit:</b>				
Capital assets not being depreciated:				
Land	\$ 163,064	-	-	163,064
Construction in progress	7,256,186	4,912,475	-	12,168,661
Total capital assets not being depreciated	<u>7,419,250</u>	<u>4,912,475</u>	-	<u>12,331,725</u>
Capital assets being depreciated:				
Buildings	2,398,075	67,042	-	2,465,117
Improvements other than buildings	1,042,591	-	-	1,042,591
Equipment and vehicles	190,655	-	-	190,655
Total capital assets being depreciated	<u>3,631,321</u>	<u>67,042</u>	-	<u>3,698,363</u>
Less accumulated depreciation for:				
Buildings	837,077	61,127	-	898,204
Improvements other than buildings	253,199	34,752	-	287,951
Equipment and vehicles	99,328	28,496	-	127,824
Total accumulated depreciation	<u>1,189,604</u>	<u>124,375</u>	-	<u>1,313,979</u>
Total capital assets being depreciated, net	<u>2,441,717</u>	<u>(57,333)</u>	-	<u>2,384,384</u>
Discretely presented component unit capital assets, net	<u>\$ 9,860,967</u>	<u>4,855,142</u>	-	<u>14,716,109</u>
Total depreciation expense - discretely presented component unit				<u>\$ 124,375</u>

**(4) Long-Term Liabilities**

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance			Balance	
	Beginning			End of	Due Within
	Year	Increases	Decreases	Year	One Year
	(as restated)				
Governmental activities:					
General obligation bonds/notes	\$ 56,010,672	8,220,000	(10,537,500)	53,693,172	7,290,872
Urban renewal revenue capital loan note	-	17,000,000	(242,577)	16,757,423	502,394
Capital lease purchase agreement	81,737	-	(13,893)	67,844	15,169
Compensated absences	1,696,408	1,730,341	(1,624,017)	1,802,732	1,389,577
Total	\$ 57,788,817	26,950,341	(12,417,987)	72,321,171	9,198,012
Business type activities:					
General obligation bond/notes	\$ 1,589,314	-	(372,486)	1,216,828	347,128
Compensated absences	204,389	208,936	(198,746)	214,579	163,315
Total	\$ 1,793,703	208,936	(571,232)	1,431,407	510,443

General Obligation Bonds/Notes Payable

General obligation bonds/notes have been issued for both governmental and business type activities. The portion of unmatured general obligation bonds/notes accounted for in governmental activities and serviced by the Debt Service Fund totaled \$53,693,172 at June 30, 2006. The portion of unmatured general obligation bonds expected to be repaid from proprietary fund revenues and accounted for in business type activities totaled \$1,216,828 at June 30, 2006. In compliance with statutory requirements, funds pledged and available in the proprietary funds to service general obligation notes are recorded as reimbursements to the Debt Service Fund in the City's accounting system. General obligation bonds/notes bear interest at rates ranging from 2.50% to 7.0% per annum.

General Obligation General Corporate Purpose and Refunding Bonds

On May 1, 2006, the City issued \$8,220,000 of general obligation general corporate purpose and refunding bonds, series 2006A. The bonds were issued to fund various project costs and, in part, to fund the redemption of the callable portion of the City's outstanding general obligation capital loan notes, series 1996A, dated August 15, 1996 totaling \$3,825,000. These bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

The City reduced its aggregate debt service payments by approximately \$19,300 over the next two years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$18,500.

Urban Renewal Revenue Capital Loan Note

On December 15, 2005, the City issued a \$17,000,000 urban renewal revenue capital loan note. The note is subject to non-appropriation and bears interest at a variable rate, adjusted monthly, with a final balloon payment due on January 15, 2011. The note proceeds were used to defray a portion of the costs of related to the development of an outdoor world retail facility (see note 17).

Principal and interest on this note are to be secured as follows:

- (1) Bass Pro Shop lease rental payments,
- (2) Mortgage and Security Agreement, in favor of the holder of the note, granting a first lien on the project improvements and land,
- (3) County annual appropriation economic development grant totaling \$2,639,478,
- (4) Iowa West Foundation, Inc. guaranty, and
- (5) Certain annual appropriations totaling \$10,243,220 to be made by the City solely and exclusively from gaming tax revenue to the extent received by the City.

During the year ended June 30, 2006, principal payments of \$242,577 and interest payments of \$489,087 were made by the City.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2006 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2006
General obligation bonds:						
Essential corporate purpose	Dec 1, 1991	5.000-7.000%	June 1, 2011	\$ 130,000-370,000	4,040,000	1,615,000
Essential corporate purpose	Jul 1, 2001	3.500-4.125	June 1, 2011	975,000-1,530,000	8,700,000	6,600,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	4,100,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,500,000
Essential corporate purpose	Apr 20, 2005	2.800-3.100	June 1, 2007	2,700,000-3,955,000	6,655,000	2,700,000
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2019	380,000-520,000	8,000,000	6,987,300
Essential corporate purpose	Apr 10, 2006	4.000-4.200	June 1, 2020	100,000-2,945,000	8,220,000	8,015,872
General obligation capital loan notes:						
Essential corporate purpose	Feb 1, 1999	3.950-4.000	June 1, 2009	50,000-2,750,000	6,500,000	5,950,000
Essential corporate purpose	Mar 1, 2000	5.250-5.500	June 1, 2011	500,000-2,450,000	4,950,000	4,950,000
Essential corporate purpose	Nov 1, 2000	4.700-5.050	June 1, 2011	25,000-1,500,000	5,000,000	4,250,000
Essential corporate purpose	Apr 1, 2002	4.000-4.500	June 1, 2010	75,000-1,525,000	4,100,000	4,025,000
Total governmental activities						<u>\$ 53,693,172</u>

Details of the urban renewal revenue capital loan note payable at June 30, 2006 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2006
Capital loan note	Dec 15, 1991	5.270% *	Jan 15, 2011	\$ 502,394-14,579,299	17,000,000	<u>\$ 16,757,423</u>

\* This is a variable rate with 115 basis points added to the 30-day LIBOR index, adjusted monthly.

A summary of the annual principal and interest payments to maturity is as follows:

Year Ending June 30,	General Obligation Bonds/Notes			Urban Renewal Revenue Capital Loan Note		
	Principal	Interest	Total	Principal	Interest*	Total
2007	\$ 7,290,872	2,686,873	9,977,745	502,394	853,391	1,355,785
2008	7,960,000	1,967,375	9,927,375	527,544	828,241	1,355,785
2009	8,380,750	1,637,140	10,017,890	558,793	796,992	1,355,785
2010	8,072,550	1,248,165	9,320,715	589,393	766,392	1,355,785
2011	5,890,000	867,240	6,757,240	14,579,299	483,673	15,062,972
2012-2016	10,269,000	2,311,176	12,580,176	-	-	-
2017-2020	5,830,000	488,362	6,318,362	-	-	-
Total	\$ 53,693,172	11,206,331	64,899,503	16,757,423	3,728,689	20,486,112

\* Annual interest payments are estimated since the interest rate on this note varies.

### Capital Lease Purchase Agreement

The City entered into a capital lease purchase agreement to lease a telephone system. The following is a schedule of the future minimum lease payments, including interest at 8.26% per annum:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 15,169	5,379	20,548
2008	16,562	3,986	20,548
2009	18,083	2,465	20,548
2010	18,030	792	18,822
Total	\$ 67,844	12,622	80,466

The book value of assets acquired under the capital lease purchase agreement totaled \$81,838. Payments under the capital lease purchase agreement totaled \$20,548 for the year ended June 30, 2006.

### Business type activities:

Details of general obligation bonds payable at June 30, 2006 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2006
General obligation bonds:						
Essential corporate purpose	May 17, 2005	3.500-4.000%	June 1, 2019	\$112,450-393,000	1,012,700	1,012,700
Essential corporate purpose	Apr 10, 2006	4.000-4.200	June 1, 2020	204,128	204,128	204,128
Total						\$ 1,216,828



A summary of the annual general obligation bond principal and interest payments to maturity is as follows:

Year Ending June 30,	Principal	Interest*	Total
2007	\$ 347,128	-	347,128
2008	393,000	-	393,000
2009	364,250	-	364,250
2010	112,450	-	112,450
Total	\$ 1,216,828	-	1,216,828

\* Interest on this general obligation debt is paid by the City's Debt Service Fund.

At June 30, 2006, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 2,899,870,639</u>
Debt limit – 5% of total actual valuation	\$ 144,993,532
Less debt applicable to debt limit:	
General obligation debt outstanding	54,910,000
Capital lease purchase agreement	67,844
Tax increment indebtedness	<u>15,209,193</u>
Legal debt margin	<u>\$ 74,806,495</u>

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	City Insurance	\$ 4,278,344
	Nonmajor Special Revenue	4,799,361
	Capital Projects	216
	Proprietary:	
	Sewer	13,664
	Refuse and Disposal	8,199
		<u>9,099,784</u>
Special Revenue:	General	1,250,000
City Insurance		
Bass Pro	General	<u>100,000</u>
Debt Service	Nonmajor Special Revenue	1,572,661
	Proprietary:	
	Sewer	1,150,000
		<u>2,722,661</u>
Capital Projects	General	66,933
	Nonmajor Special Revenue	83,745
	Proprietary:	
	Sewer	1,200,000
		<u>1,350,678</u>
Nonmajor Special Revenue	General	261,918
	Special Revenue:	
	City Insurance	386,736
	Nonmajor Special Revenue	338,932
		<u>987,586</u>
Proprietary:	General	9,040
Sewer		
Total		<u>\$ 15,519,749</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(6) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue:	
	CDBG Grant	\$ 153,336
	HOME Program	1,300
	CDBG Installment Loan Escrow	2,117
	Forfeited Assets	13,186
	Lake Manawa SSMID	785
Total		<u>\$ 170,724</u>

The balances result from interfund loans to finance projects. Repayments will be made from future revenues.

The detail of advances to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue: MACC 01-1 TIF	<u>\$ 1,933,648</u>

The advance to/from other funds resulted from a borrowing of gaming revenues for the payment of debt related to an urban renewal project. The borrowing will be repaid over several years with tax increment financing collections.

**(7) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

The City 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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$639,504, \$634,887 and \$614,913, respectively, equal to the required contributions for each year.

Chapter 410 Police and Fire Pension Plan

Chapter 410 of the Code of Iowa creates a retirement system for police officers and fire fighters of any City qualified to participate under this Chapter. Any duly appointed member of the police and fire departments whose appointment occurred before March 2, 1934 or police and fire fighters who had been making payments of membership fees and assessments prior to July 1, 1971 may be a member of the system. The pension plan is accounted for by the City in the Pension Trust, Firemen's Pension Fund.

The plan is administered by the Police Pension Board of Trustees and the Fire Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death. No information is available regarding actuarially computed liabilities or assets.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit retirement system administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104<sup>th</sup> Street, Des Moines, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$3,156,215, \$2,735,684 and \$2,183,915, respectively, which met the required minimum contributions for each year.

**(8) Transit Authority Agreement**

The City has contracted for transit service on a regular, scheduled basis over certain routes within the City. The contract provides the City shall pay the net operating cost of service over these routes within the City. During the year ended June 30, 2006, the City paid \$546,295 under this contract.

**(9) Pending Litigation and Contingent Liabilities**

The City is subject to pending litigation seeking damages. The amount and probability of loss, if any, is not determinable. The City is self-insured for the first \$500,000 of loss.

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$47,780,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

**(11) Employee Health Insurance Plan**

The Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Principal Mutual Life Insurance Company. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$110,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Firststar Bank, Council Bluffs and Principal Mutual Life Insurance Company administers the plan funds. The City records the plan assets and related liabilities of the Self Insurance Fund as an Internal Service Fund. The City's contribution to the fund for the year ended June 30, 2006 was \$5,282,017.

Amounts payable from the Self Insurance Fund at June 30, 2006 total \$468,156, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2005	\$ 768,204
Incurred claims (including claims incurred but not reported as of June 30, 2006)	6,119,181
Payments on claims	<u>(6,419,229)</u>
Unpaid claims as of June 30, 2006	<u>\$ 468,156</u>

**(12) Deficit Fund Balances**

The Special Revenue, CDBG Installment Loan Escrow, Lake Manawa SSMID and MACC 01-1 TIF Funds had deficit fund balances of \$2,315, \$9,679 and \$1,836,922, respectively, at June 30, 2006. The deficit balances will be eliminated through future grants and collection of tax increment financing receipts.

**(13) Construction Commitments**

Construction commitments at June 30, 2006 totaled \$13,865,000 which will be paid as work on the projects progresses. These projects will be funded through general obligation notes, grants and local funds on hand.

**(14) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance and \$500,000 self-insured retention on liability and auto coverage only and \$500,000 on worker's compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(15) CDBG Installment Loan Escrow Fund**

During the year ended June 30, 1977, the City received funding for an individual housing rehabilitation loan program from the U.S. Department of Housing and Urban Development. These funds were subsequently loaned to individuals in the City. The loans receivable and loan payments received from the individuals are accounted for in the Special Revenue, CDBG Grant Fund. The Special Revenue, CDBG Installment Loan Escrow Fund receives a portion of loan payments for payment of property tax and insurance. Active loans during the year ended June 30, 2006 carry an interest rate of 3% per annum and have terms ranging from 10 to 20 years. At June 30, 2006, there were 84 active loans with a total outstanding principal balance of \$840,368, which is included in installment loans receivable in these financial statements.

**(16) Urban Renewal Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$14,623,000. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2006, the City rebated \$931,723 of incremental tax to the developers, which included \$808,934 for principal and \$122,789 for interest. The outstanding balance of the agreements at June 30, 2006 was \$13,362,009.

**(17) Economic Development Agreements**

Mid-American Recreation & Convention Complex

On July 24, 2001, the City entered into an agreement with the Council Bluffs Community Betterment Foundation, the Iowa West Foundation (IWF), the Southwest Iowa Foundation and Harvey's Casino Resorts to develop a project known as the Mid-American Recreation & Convention Complex. As part of this agreement, the City has agreed to dedicate certain excess hotel/motel receipts, up to a maximum of \$5,000,000, to

reimburse the IWF for some of the project costs. Excess hotel/motel collections are those remaining after the City has satisfied certain other commitments of these funds. The City's obligation under this agreement will expire at the earliest of December 31, 2015 or when the IWF has been fully reimbursed. During the year ended June 30, 2006, the City did not make any payments to the IWF pursuant to this agreement.

Bass Pro Outdoor World, L.L.C

On October 22, 2004, the City entered into an agreement with Pottawattamie County, the Iowa West Foundation, the Southwest Iowa Foundation and the Council Bluffs Community Betterment Foundation (CBF) to develop an outdoor world retail facility. The project was financed and constructed by the CBF for use and occupancy by Bass Pro Outdoor World, L.L.C, lessee (Bass Lease). As part of this agreement, the City will own and maintain the facility and has issued a \$17,000,000 urban renewal revenue capital loan note to reimburse CBF for some of the project costs. As discussed in Note 4, the notes are secured in various forms by the development agreement participants. Pursuant to the agreement, the City established a Trust Account through First National Bank of Omaha as trustee. Deposits into this account include all sources of funding securing the revenue notes and all lease payments required under the Bass Lease. Funds in the trust account are to be used to pay real estate taxes on the property, retire the urban renewal revenue capital loan note and pay operating and maintenance expenses related to the facility. This trust account is reported by the City as a Special Revenue, Bass Pro fund.

During the year ended June 30, 2006, the City paid \$200,000 into this fund as part of its obligation under the economic development agreement.

**(18) Restatements**

Beginning net assets for governmental activities, business type activities and enterprise funds were restated to correct the valuation of and reporting for certain capital assets and debt.

	<u>Total</u>		
<b>Governmental activities:</b>			
Net assets, June 30, 2005, as previously reported:	\$ 158,072,944		
Correction for capital asset and accumulated depreciation errors	(1,743,330)		
Decrease due to change in capitalization thresholds	(3,138,747)		
Reclassify debt previously reported in business type activities	(3,758,547)		
Net assets, July 1, 2005, as restated	<u>\$ 149,432,320</u>		
<b>Business type activities:</b>			
Net assets, June 30, 2005, as previously reported:	\$ 80,163,031		
Correction for capital asset and accumulated depreciation errors	(1,268,240)		
Decrease due to change in capitalization thresholds	(343,208)		
Reclassify debt previously reported in business type activities	3,758,547		
Net assets, July 1, 2005, as restated	<u>\$ 82,310,130</u>		
<b>Enterprise funds:</b>			
	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Net assets, June 30, 2005, as previously reported:	\$ 75,591,418	4,571,613	80,163,031
Correction for capital asset and accumulated depreciation errors	(1,223,014)	(388,434)	(1,611,448)
Reclassify debt previously reported in business type activities	3,758,547	-	3,758,547
Net assets, July 1, 2005, as restated	<u>\$ 78,126,951</u>	<u>4,183,179</u>	<u>82,310,130</u>

**Required Supplementary Information**

City of Council Bluffs  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – Governmental Funds and Enterprise Funds

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Receipts:			
Property tax	\$ 28,348,979	-	28,348,979
Tax increment financing	1,264,463	-	1,264,463
Other city tax	11,719,459	6,406,114	18,125,573
Licenses and permits	1,048,861	-	1,048,861
Use of money and property	1,589,958	7,570	1,597,528
Intergovernmental	13,826,707	137,420	13,964,127
Charges for service	3,790,461	8,381,734	12,172,195
Special and drainage assessments	114,421	-	114,421
Miscellaneous	12,508,571	743,728	13,252,299
Total receipts	74,211,880	15,676,566	89,888,446
Disbursements:			
Public safety	23,529,646	-	23,529,646
Public works	8,676,289	-	8,676,289
Health and social services	505,188	-	505,188
Culture and recreation	5,212,600	-	5,212,600
Community and economic development	22,534,247	-	22,534,247
General government	5,185,888	-	5,185,888
Debt service	10,285,149	-	10,285,149
Capital projects	19,866,986	-	19,866,986
Business type activities	-	12,938,321	12,938,321
Total disbursements	95,795,993	12,938,321	108,734,314
Excess (deficiency) of receipts over (under) disbursements	(21,584,113)	2,738,245	(18,845,868)
Other financing sources, net	24,254,792	(2,823,057)	21,431,735
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,670,679	(84,812)	2,585,867
Balance beginning of year	20,263,116	3,628,153	23,891,269
Balance end of year	\$ 22,933,795	3,543,341	26,477,136

See accompanying independent auditor's report.



Budgeted Amounts		Final to
Original	Final	Actual
		Variance
27,997,176	27,997,176	351,803
964,000	964,000	300,463
15,467,608	16,967,608	1,157,965
976,690	976,690	72,171
604,000	4,464,000	(2,866,472)
16,645,434	16,645,434	(2,681,307)
12,157,620	12,157,620	14,575
101,000	101,000	13,421
6,944,863	9,094,863	4,157,436
81,858,391	89,368,391	520,055
23,297,240	23,547,240	17,594
7,971,154	7,971,154	(705,135)
536,504	536,504	31,316
4,912,479	5,212,479	(121)
4,332,393	6,332,393	(16,201,854)
5,055,813	5,340,813	154,925
7,943,684	11,803,684	1,518,535
21,342,283	26,342,283	6,475,297
14,748,390	14,748,390	1,810,069
90,139,940	101,834,940	(6,899,374)
(8,281,549)	(12,466,549)	(6,379,319)
4,000,000	4,360,000	17,071,735
(4,281,549)	(8,106,549)	10,692,416
23,708,671	23,708,671	182,598
19,427,122	15,602,122	10,875,014

City of Council Bluffs  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 74,211,880	(2,416,167)	71,795,713
Expenditures	95,795,993	(2,347,569)	93,448,424
Net	(21,584,113)	(68,598)	(21,652,711)
Other financing sources (uses)	24,254,792	(450,755)	23,804,037
Beginning fund balances	20,263,116	3,243,066	23,506,182
Ending fund balances	\$ 22,933,795	2,723,713	25,657,508
	Enterprise Funds		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 15,676,566	8,502,025	24,178,591
Expenses	12,938,321	(2,999,995)	9,938,326
Net	2,738,245	11,502,020	14,240,265
Other financing sources (uses)	(2,823,057)	460,234	(2,362,823)
Beginning net assets	3,628,153	78,681,977	82,310,130
Ending net assets	\$ 3,543,341	90,644,231	94,187,572

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$11,695,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements in the public works, culture and recreation and community and economic development functions exceeded the amounts budgeted.

**City of Council Bluffs**

**Other Supplementary Information**

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
<b>Assets</b>				
Cash and pooled investments	\$ 1,024,745	-	-	-
Receivables:				
Property tax:				
Delinquent	-	9,238	-	-
Succeeding year	-	393,000	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	8,155	-	-	-
Special and drainage assessments	510	-	-	-
Accrued interest	-	-	-	-
Installment loans	-	-	840,368	-
Due from other governments	380,282	-	140,108	52,500
Inventories	682,158	-	-	-
<b>Total assets</b>	<b>\$ 2,095,850</b>	<b>402,238</b>	<b>980,476</b>	<b>52,500</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 82,889	-	43,718	-
Salaries and benefits payable	124,824	-	19,579	-
Due to other funds	-	-	153,336	1,300
Advances from other funds	-	-	-	-
Due to other governments	245	-	-	-
Deferred revenue:				
Succeeding year property tax	-	393,000	-	-
Succeeding year tax increment financing	-	-	-	-
Other	510	2,675	-	7,500
Total liabilities	208,468	395,675	216,633	8,800
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	1,887,382	6,563	763,843	43,700
Total fund balances	1,887,382	6,563	763,843	43,700
<b>Total liabilities and fund balances</b>	<b>\$ 2,095,850</b>	<b>402,238</b>	<b>980,476</b>	<b>52,500</b>

Special Revenue						
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment
-	46,204	3,189,368	303,678	51,389	1,541	472,868
-	-	-	22,855	5,754	-	68,650
-	-	-	962,000	176,000	7,000	2,886,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	4,339	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	250,528	-	-	-	-
-	-	-	-	-	-	-
-	50,543	3,439,896	1,288,533	233,143	8,541	3,427,518
198	292	14,276	-	-	-	-
-	-	-	-	-	-	-
2,117	13,186	-	-	-	-	-
-	-	-	-	-	-	-
-	525	-	-	-	-	-
-	-	-	962,000	176,000	7,000	2,886,000
-	-	-	-	-	-	-
-	-	-	6,418	2,577	-	19,254
2,315	14,003	14,276	968,418	178,577	7,000	2,905,254
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,315)	36,540	3,425,620	320,115	54,566	1,541	522,264
(2,315)	36,540	3,425,620	320,115	54,566	1,541	522,264
-	50,543	3,439,896	1,288,533	233,143	8,541	3,427,518

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Drainage Districts			
	Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
<b>Assets</b>				
Cash and pooled investments	51,599	95,732	190,839	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	56,714	31,445	45,956	-
Accrued interest	-	-	-	-
Installment loans	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
	<b>108,313</b>	<b>127,177</b>	<b>236,795</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	-	8,894
Salaries and benefits payable	2,292	-	20	-
Due to other funds	-	-	-	785
Advances from other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Other	56,454	30,963	43,316	-
Total liabilities	58,746	30,963	43,336	9,679
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	49,567	96,214	193,459	(9,679)
Total fund balances	49,567	96,214	193,459	(9,679)
	<b>108,313</b>	<b>127,177</b>	<b>236,795</b>	<b>-</b>



Special Revenue						
East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Bennet Avenue TIF	Featherstone TIF	MACC 01-1 TIF	South 24th South Omaha Bridge Road TIF
4,347	103,992	282,786	3,261	925	96,726	11,301
-	-	-	-	-	-	-
-	-	-	-	-	-	-
282	10,874	-	-	-	-	-
48,000	270,000	62,000	248,000	72,000	198,000	144,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
52,629	384,866	344,786	251,261	72,925	294,726	155,301
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,933,648	-
-	-	-	-	-	-	-
48,000	270,000	62,000	248,000	72,000	198,000	144,000
-	-	-	-	-	-	-
48,000	270,000	62,000	248,000	72,000	2,131,648	144,000
4,629	114,866	282,786	3,261	925	-	11,301
-	-	-	-	-	-	-
-	-	-	-	-	(1,836,922)	-
4,629	114,866	282,786	3,261	925	(1,836,922)	11,301
52,629	384,866	344,786	251,261	72,925	294,726	155,301

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Special Revenue			
	Manawa Business TIF	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment
<b>Assets</b>				
Cash and pooled investments	-	24,272	176,614	118,392
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	225,000	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	-	-	-	-
Accrued interest	-	72	531	355
Installment loans	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
<b>Total assets</b>	<b>225,000</b>	<b>24,344</b>	<b>177,145</b>	<b>118,747</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	3,571	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	225,000	-	-	-
Other	-	-	-	-
Total liabilities	225,000	-	3,571	-
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	-	24,344	173,574	118,747
Total fund balances	-	24,344	173,574	118,747
<b>Total liabilities and fund balances</b>	<b>225,000</b>	<b>24,344</b>	<b>177,145</b>	<b>118,747</b>

See accompanying independent auditor's report.

4th Street			Permanent	
Investment	Miscellaneous	Total	Fairview Cemetery Perpetual Care	Total
241,599	45,061	6,537,239	59,105	6,596,344
-	-	106,497	-	106,497
-	-	4,424,000	-	4,424,000
-	-	11,156	-	11,156
-	-	1,267,000	-	1,267,000
-	1,289	13,783	-	13,783
-	5,192	139,817	-	139,817
-	-	958	-	958
-	-	840,368	-	840,368
-	33,019	856,437	-	856,437
-	-	682,158	-	682,158
241,599	84,561	14,879,413	59,105	14,938,518
-	45,519	199,357	-	199,357
-	-	146,715	-	146,715
-	-	170,724	-	170,724
-	-	1,933,648	-	1,933,648
-	1,013	1,783	-	1,783
-	-	4,424,000	-	4,424,000
-	-	1,267,000	-	1,267,000
-	20,749	190,416	-	190,416
-	67,281	8,333,643	-	8,333,643
-	-	417,768	-	417,768
-	-	-	59,105	59,105
241,599	17,280	6,128,002	-	6,128,002
241,599	17,280	6,545,770	59,105	6,604,875
241,599	84,561	14,879,413	59,105	14,938,518

City of Council Bluffs

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2006

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
<b>Revenues:</b>				
Property tax	\$ -	416,495	-	-
Tax increment financing	-	-	-	-
Other city tax	-	35,735	-	-
Licenses and permits	11,130	-	-	-
Use of money and property	27,380	-	-	-
Intergovernmental	4,882,267	-	1,176,586	504,375
Charges for service	-	-	514,822	-
Special and drainage assessments	-	-	-	-
Miscellaneous	113,184	-	5,240	83,100
Total revenues	5,033,961	452,230	1,696,648	587,475
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	-	-	-	-
Public works	5,743,823	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	1,405,424	221,875
General government	-	-	-	-
Total expenditures	5,743,823	-	1,405,424	221,875
Excess (deficiency) of revenues over (under) expenditures	(709,862)	452,230	291,224	365,600
<b>Other financing sources (uses):</b>				
Operating transfers in	643,649	-	-	-
Operating transfers out	(13,664)	(451,938)	(83,745)	-
Total other financing sources (uses)	629,985	(451,938)	(83,745)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(79,877)	292	207,479	365,600
Fund balances beginning of year	1,967,259	6,271	556,364	(321,900)
Fund balances end of year	\$ 1,887,382	6,563	763,843	43,700

Special Revenue						
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment
-	-	-	1,020,483	426,589	-	3,054,942
-	-	-	-	-	-	-
-	-	1,435,173	87,413	35,760	-	262,237
-	-	-	-	-	-	-
-	-	71,024	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
74,443	73,050	32,972	170	-	-	-
74,443	73,050	1,539,169	1,108,066	462,349	-	3,317,179
-	51,081	-	-	-	-	-
-	-	886,723	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
78,426	-	-	-	-	-	-
-	-	-	-	-	-	-
78,426	51,081	886,723	-	-	-	-
(3,983)	21,969	652,446	1,108,066	462,349	-	3,317,179
-	-	-	-	-	-	-
-	-	(600,000)	(994,556)	(417,413)	(17,397)	(3,156,215)
-	-	(600,000)	(994,556)	(417,413)	(17,397)	(3,156,215)
(3,983)	21,969	52,446	113,510	44,936	(17,397)	160,964
1,668	14,571	3,373,174	206,605	9,630	18,938	361,300
(2,315)	36,540	3,425,620	320,115	54,566	1,541	522,264

City of Council Bluffs

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2006

	Drainage Districts			
	Mosquito Creek #22	Sieck #32	West	Lake
			Lewis #35	Manawa SSMID
Revenues:				
Property tax	-	-	-	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special and drainage assessments	37,981	29,046	43,967	-
Miscellaneous	-	-	-	-
Total revenues	37,981	29,046	43,967	-
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	92,528	22,170	15,984	20,149
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total expenditures	92,528	22,170	15,984	20,149
Excess (deficiency) of revenues over (under) expenditures	(54,547)	6,876	27,983	(20,149)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(54,547)	6,876	27,983	(20,149)
Fund balances beginning of year	104,114	89,338	165,476	10,470
Fund balances end of year	49,567	96,214	193,459	(9,679)

Special Revenue						
East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Madison Rue 1998 Urban Renewal	Bennet Avenue TIF	Featherstone TIF	MACC 01-1 TIF
-	-	-	-	-	-	-
41,748	299,329	109,399	-	244,869	69,453	279,781
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,876,457	-	-	-	-	21,600
41,748	2,175,786	109,399	-	244,869	69,453	301,381
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
38,433	2,176,782	96,658	-	251,435	69,307	221,720
-	-	-	-	-	-	-
38,433	2,176,782	96,658	-	251,435	69,307	221,720
3,315	(996)	12,741	-	(6,566)	146	79,661
-	-	-	-	-	-	331,479
-	-	-	(87,110)	-	-	(972,661)
-	-	-	(87,110)	-	-	(641,182)
3,315	(996)	12,741	(87,110)	(6,566)	146	(561,521)
1,314	115,862	270,045	87,110	9,827	779	(1,275,401)
4,629	114,866	282,786	-	3,261	925	(1,836,922)

City of Council Bluffs

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2006

	South 24th South Omaha Bridge Road TIF	Manawa Business TIF	U.S. Savings Bond	Library Building
Revenues:				
Property tax	-	-	-	-
Tax increment financing	75,136	110,532	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	697
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special and drainage assessments	-	-	-	-
Miscellaneous	-	-	-	258
Total revenues	75,136	110,532	-	955
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development:	63,835	122,990	-	-
General government	-	-	487	-
Total expenditures	63,835	122,990	487	-
Excess (deficiency) of revenues over (under) expenditures	11,301	(12,458)	(487)	955
Other financing sources (uses):				
Operating transfers in	-	12,458	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	12,458	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	11,301	-	(487)	955
Fund balances beginning of year	-	-	487	23,389
Fund balances end of year	11,301	-	-	24,344

See accompanying independent auditor's report.



Special Revenue					Permanent	
Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	Total Special Revenue	Fairview Cemetery Perpetual Care	Total
-	-	-	-	4,918,509	-	4,918,509
-	-	-	-	1,230,247	-	1,230,247
-	-	-	-	1,856,318	-	1,856,318
-	-	-	-	11,130	-	11,130
5,744	3,628	-	-	37,449	-	37,449
-	-	-	85,382	6,719,634	-	6,719,634
-	-	1,401	134,096	650,319	-	650,319
-	-	-	-	110,994	-	110,994
129,764	-	-	332,301	2,742,539	-	2,742,539
135,508	3,628	1,401	551,779	18,277,139	-	18,277,139
-	-	-	349,740	400,821	-	400,821
-	-	-	-	6,781,377	-	6,781,377
-	-	-	13,996	13,996	-	13,996
157,848	-	-	148,635	306,483	-	306,483
-	-	-	298,990	5,045,875	-	5,045,875
-	-	-	87,964	88,451	-	88,451
157,848	-	-	899,325	12,637,003	-	12,637,003
(22,340)	3,628	1,401	(347,546)	5,640,136	-	5,640,136
-	-	-	-	987,586	-	987,586
-	-	-	-	(6,794,699)	-	(6,794,699)
-	-	-	-	(5,807,113)	-	(5,807,113)
(22,340)	3,628	1,401	(347,546)	(166,977)	-	(166,977)
195,914	115,119	240,198	364,826	6,712,747	59,105	6,771,852
173,574	118,747	241,599	17,280	6,545,770	59,105	6,604,875

City of Council Bluffs  
 Combining Schedule of Net Assets  
 Internal Service Funds

June 30, 2006

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Self Insurance
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 448,362	177,119	1,193,304
Accounts receivable	-	-	6,224
Accrued interest	-	-	3,617
<b>Total assets</b>	<b>448,362</b>	<b>177,119</b>	<b>1,203,145</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	-	468,156
<b>Net Assets</b>			
Unrestricted	\$ 448,362	177,119	734,989

See accompanying independent auditor's report.

Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
585,997	432,930	513,998	233,487	3,585,197
-	214,338	-	-	220,562
1,763	-	-	-	5,380
587,760	647,268	513,998	233,487	3,811,139
15,144	4,840	14,165	16,240	518,545
572,616	642,428	499,833	217,247	3,292,594

City of Council Bluffs

Combining Schedule of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Funds

Year ended June 30, 2006

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Operating revenues:			
Charges for service:			
Reimbursements from operating funds	\$ 80,147	-	150,000
Reimbursements from retired employees	-	-	-
Reimbursements from current employees	-	-	-
	80,147	-	150,000
Miscellaneous	-	-	-
Total operating revenues	80,147	-	150,000
Operating expenses:			
Governmental activities:			
Public safety	-	-	-
Public works	-	-	13,648
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	1,819	-
Business type activities	-	-	-
Total operating expenses	-	1,819	13,648
Operating income (loss)	80,147	(1,819)	136,352
Nonoperating revenues:			
Interest income	-	-	-
Change in net assets	80,147	(1,819)	136,352
Net assets beginning of year	368,215	1,819	40,767
Net assets end of year	\$ 448,362	-	177,119

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,282,017	399,805	587,896	200,000	72,000	6,771,865
310,848	-	-	-	-	310,848
297,864	-	59,372	-	-	357,236
5,890,729	399,805	647,268	200,000	72,000	7,439,949
497,299	78,142	-	-	15,000	590,441
6,388,028	477,947	647,268	200,000	87,000	8,030,390
2,928,305	4,985	2,435	295,159	-	3,230,884
803,641	205,131	647	-	-	1,023,067
114,707	48,824	88	-	-	163,619
310,349	39,870	244	-	102,293	452,756
129,469	4,985	109	-	-	134,563
1,384,151	19,732	674	-	-	1,406,376
748,607	84,937	643	-	-	834,187
6,419,229	408,464	4,840	295,159	102,293	7,245,452
(31,201)	69,483	642,428	(95,159)	(15,293)	784,938
77,985	17,341	-	-	-	95,326
46,784	86,824	642,428	(95,159)	(15,293)	880,264
688,205	485,792	-	594,992	232,540	2,412,330
734,989	572,616	642,428	499,833	217,247	3,292,594

City of Council Bluffs  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2006

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Cash flows from operating activities:			
Cash received from customers and users	\$ 80,147	-	150,000
Cash received from other revenues	-	-	-
Cash paid to suppliers	-	-	(13,648)
Net cash provided by (used for) operating activities	80,147	-	136,352
Cash flows from investing activities:			
Interest on investments	-	-	-
Net increase (decrease) in cash and cash equivalents	80,147	-	136,352
Cash and cash equivalents beginning of year	368,215	-	40,767
Cash and cash equivalents end of year	\$ 448,362	-	177,119
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 80,147	(1,819)	136,352
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	-	-	-
Decrease in prepaid insurance	-	-	-
Increase (decrease) in accounts payable	-	1,819	-
Total adjustments	-	1,819	-
Net cash provided by (used for) operating activities	\$ 80,147	-	136,352

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
6,191,585	399,805	373,558	200,000	72,000	7,467,095
497,299	78,142	59,372	-	15,000	649,813
(6,759,095)	(324,430)	-	(288,005)	(89,846)	(7,475,024)
(70,211)	153,517	432,930	(88,005)	(2,846)	641,884
74,368	15,578	-	-	-	89,946
4,157	169,095	432,930	(88,005)	(2,846)	731,830
1,189,147	416,902	-	602,003	236,333	2,853,367
1,193,304	585,997	432,930	513,998	233,487	3,585,197
(31,201)	69,483	642,428	(95,159)	(15,293)	784,938
300,856	-	(214,338)	-	-	86,518
-	78,142	-	-	-	78,142
(339,866)	5,892	4,840	7,154	12,447	(307,714)
(39,010)	84,034	(209,498)	7,154	12,447	(143,054)
(70,211)	153,517	432,930	(88,005)	(2,846)	641,884

**Schedule 6**

## City of Council Bluffs

Combining Schedule of Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds

June 30, 2006

	Firemen's Pension	411 Benefits	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,289	235,625	236,914
Property tax:			
Delinquent	244	2,169	2,413
Succeeding year	10,000	77,000	87,000
<b>Total assets</b>	11,533	314,794	326,327
<b>Liabilities</b>			
Accounts payable	-	7,827	7,827
Deferred revenue:			
Succeeding year property tax	10,000	77,000	87,000
Other	71	869	940
<b>Total liabilities</b>	10,071	85,696	95,767
<b>Net assets held in trust for employee benefits</b>	\$ 1,462	229,098	230,560

See accompanying independent auditor's report.



## City of Council Bluffs

Combining Schedule of Changes in Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds

Year ended June 30, 2006

	Firemen's Pension	411 Benefits	Total
Additions:			
Property tax	\$ 10,853	136,259	147,112
Other city tax:			
Utility tax replacement excise tax	936	11,827	12,763
	11,789	148,086	159,875
Miscellaneous	-	946	946
Total additions	11,789	149,032	160,821
Deductions:			
Benefits and refunds paid to plan members	11,293	81,860	93,153
Change in net assets held in trust for employee benefits	496	67,172	67,668
Net assets held in trust for employee benefits beginning of year	966	161,926	162,892
Net assets held in trust for employee benefits end of year	\$ 1,462	229,098	230,560

See accompanying independent auditor's report.

**Schedule 8**

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## City of Council Bluffs

Combining Schedule of Fiduciary Net Assets  
Agency Funds

June 30, 2006

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
<b>Assets</b>				
Cash and pooled investments	\$ -	-	50	50
Accounts receivable	-	-	331	331
Due from other governments	14,960	33,716	-	48,676
<b>Total assets</b>	<b>\$ 14,960</b>	<b>33,716</b>	<b>381</b>	<b>49,057</b>
<b>Liabilities</b>				
Liabilities:				
Due to other governments	\$ 4,960	18,628	-	23,588
Salaries and benefits payable	7,480	15,088	-	22,568
Trusts payable	2,520	-	381	2,901
<b>Total liabilities</b>	<b>\$ 14,960</b>	<b>33,716</b>	<b>381</b>	<b>49,057</b>

See accompanying independent auditor's report.

City of Council Bluffs  
 Combining Schedule of Changes in Trusts Payable  
 Agency Funds

Year ended June 30, 2006

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
Additions:				
Trusts received	\$ 202,114	368,940	9,112	580,166
Deductions:				
Agency remittances:				
Trusts paid out	203,374	366,710	8,731	578,815
Change in net assets	(1,260)	2,230	381	1,351
Balances beginning of year	3,780	(2,230)	-	1,550
Balances end of year	\$ 2,520	-	381	2,901

See accompanying independent auditor's report.

**City of Council Bluffs**

## City of Council Bluffs

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
<b>Revenues:</b>				
Property tax	\$ 28,381,903	26,346,058	24,963,919	23,656,726
Tax increment financing	1,230,247	902,756	794,607	970,564
Other city tax	11,413,261	12,687,008	12,023,106	10,537,000
Licenses and permits	1,051,748	1,176,222	982,507	898,554
Use of money and property	1,624,075	818,897	388,327	743,139
Intergovernmental	12,479,002	12,739,275	12,374,149	12,591,692
Charges for service	3,818,793	3,284,574	3,145,863	3,352,793
Special and drainage assessments	111,622	1,034	1,374	1,789
Miscellaneous	11,684,492	6,591,318	4,401,510	10,421,653
<b>Total</b>	<b>\$ 71,795,143</b>	<b>64,547,142</b>	<b>59,075,362</b>	<b>63,173,910</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	\$ 23,582,483	22,882,165	21,331,574	20,553,454
Public works	8,313,984	9,706,538	10,796,327	7,063,654
Health and social services	508,110	1,196,578	1,429,313	1,212,027
Culture and recreation	5,219,482	4,602,801	4,629,009	5,541,315
Community and economic development	22,419,715	5,027,689	2,914,913	2,732,121
General government	5,298,251	4,967,337	5,375,981	4,323,001
Non-program	-	-	-	295,979
Debt service	9,834,396	15,304,432	7,889,109	10,535,859
Capital projects	18,272,003	12,150,551	8,498,096	20,248,881
<b>Total</b>	<b>\$ 93,448,424</b>	<b>75,838,091</b>	<b>62,864,322</b>	<b>72,506,291</b>

See accompanying independent auditor's report.

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-19-0005	\$ 1,109,754
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-19-0005	80,640
			<u>1,190,394</u>
Special Projects - EDSI	14.251	B-04-SP-IA-0259	223,474
Special Projects - EDSI	14.251	B-05-NI-IA-0006	41,883
			<u>265,357</u>
U.S. Department of Justice:			
Community Prosecution and Project Safe Neighborhoods	16.609	03-SD06	29,872
Project Safe Neighborhoods	16.609	03S-SD06	13,567
			<u>43,439</u>
Public Safety Partnership and Community Policing Grants	16.710	2004CKWX0076	241,211
U.S. Environmental Protection Agency:			
Brownfields Assessment Grant	66.818	BF-98763701-0	16,852
			<u>16,852</u>
Total direct			<u>1,757,253</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	05-ES-007	112,632
Home Investment Partnerships Program	14.239	04-HM-135	52,500
City of Omaha, Nebraska:			
Home Investment Partnerships Program	14.239	FY2003	116,875
Home Investment Partnerships Program	14.239	FY2004	22,500
			<u>191,875</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	05JAG-A01	65,525
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1642(638)--70-78	503,385
Highway Planning and Construction	20.205	STP-U-1642(22)--70-78	3,101,139
			<u>3,604,524</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 05-163	19,057
State and Community Highway Safety	20.600	PAP 06-163	6,020
State and Community Highway Safety	20.600	PAP 05-04	6,060
State and Community Highway Safety	20.600	PAP 06-04	10,733
			<u>41,870</u>

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Surveys, Studies, Investigations, Demonstrations and special purpose activities relating to the environmen	66.034		977
Performance Partnership Grants	66.605		1,073
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5886AP07	37,073
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5885AP07	18,031
			55,104
Immunization Grants	93.268	5885I420	9,202
Immunization Grants	93.268	5886I420	27,939
			37,141
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2006-ELC08	780
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2007-ELC08	340
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886EHC3	5,984
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886BT04-10	6,089
			13,193
Preventive Health and Health Services Block Grant	93.991	MOU-2006-TB16	1,025
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management Division:			
Public Assistance Grants	97.004	FY03 SHSGP11	39,770
Public Assistance Grants	97.004	FY04 SHGP Equipment	62,242
			102,012
City of Atlantic Fusion Center:			
Homeland Security Grant Program	97.067	FY04-LETPP-LEIN-4-04	58,235
Total indirect			4,285,186
Total			\$ 6,042,439

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Council Bluffs and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Council Bluffs**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Council Bluffs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

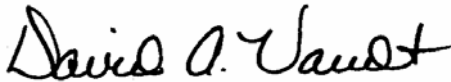
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Council Bluffs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

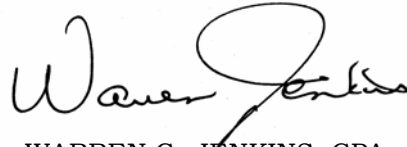
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Council Bluffs and other parties to whom the City of Council Bluffs may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Council Bluffs during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 19, 2006

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**City of Council Bluffs**



**OFFICE OF AUDITOR OF STATE**  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Council Bluffs, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Council Bluffs' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Council Bluffs' management. Our responsibility is to express an opinion on City of Council Bluffs' compliance based on our audit.

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

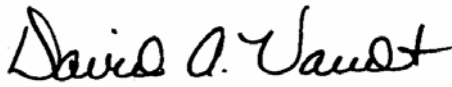
In our opinion, the City of Council Bluffs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

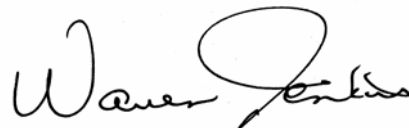
The management of the City of Council Bluffs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Council Bluffs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Council Bluffs and other parties to whom the City of Council Bluffs may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 19, 2006

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
  - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Council Bluffs did not qualify as a low-risk auditee.

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

No material weaknesses in internal control over major programs were noted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, culture and recreation and community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City was not aware of the need to budget for the Bass Pro project for which there is a trust fund established. \$17,000,000 in expenses was actually incurred with nothing budgeted. In the future, the City will budget for Bass Pro revenues and expenses. Public works expenditures exceeded budget due to improvements being identified as operating expenses that were budgeted as capital projects. The capital project threshold was raised to \$50,000. In the future, the City will budget for these projects as operational expenses and not capital projects. Cultural and recreation activities overspent the budget by \$121. In the future, the City will be more conservative in our budget estimates to eliminate the likelihood of over spending.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-06 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.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-H-06 Financial Condition – At June 30, 2006, the following funds had deficit balances:

<u>Fund</u>	<u>June 30, 2006 Balance</u>
Special Revenue:	
CDBG Installment Loan Escrow	\$ 2,315
Lake Manawa SSMID	9,679
MACC 01-1 TIF	1,836,922

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – Property taxes budgeted for fiscal year ending 2008 will eliminate the negative balance for the Lake Manawa SSMID and decrease the negative balance in MACC 01 TIF. The Planning Department has already increased escrow payment requests and transferred funds from other City sources.

Conclusion – Response accepted.

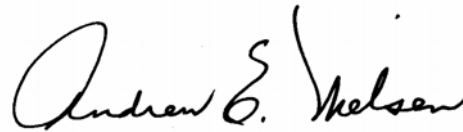
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City of Council Bluffs

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Paul F. Kearney, CGFM, Senior Auditor  
Melissa M. Wellhausen, CPA, Staff Auditor  
Michelle L. Harris, Assistant Auditor  
Tiffany A. Gossweiler, Assistant Auditor  
Michael J. Hackett, Assistant Auditor  
Michael P. Piehl, Assistant Auditor  
Nickolas J. Schaul, Assistant Auditor  
Kurt D. Goldsmith, Audit Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State