



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

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**NEWS RELEASE**

FOR RELEASE

February 27, 2009

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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 \$95,240,248 for the year ended June 30, 2008, a 2.8 percent decrease from the prior year. Revenues included \$41,395,987 in property and other city tax, \$3,548,580 from tax increment financing, \$19,357,309 from charges for service, \$11,359,410 from operating grants, contributions and restricted interest, \$9,544,137 from capital grants, contributions and restricted interest, \$7,306,334 from local option sales tax, \$837,789 from unrestricted investment earnings, \$1,698,887 from gain on disposition of capital assets and \$191,815 from other general revenues.

Expenses for City operations totaled \$78,142,623, an 8.9 percent increase from the prior year, and included \$23,825,855 for public safety, \$13,486,989 for public works and \$10,914,762 for general government. Expenses for business type activities totaled \$10,962,566.

A copy of the audit 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, 2008**

## Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-17
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	20-23
Statement of Activities	B	24-25
Governmental Fund Financial Statements:		
Balance Sheet	C	26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	27
Statement of Revenues, Expenditures and Changes in Fund Balances	E	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	29
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	30
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	31
Statement of Cash Flows	I	32-33
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	34
Statement of Changes in Fiduciary Net Assets	K	35
Notes to Financial Statements		36-54
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Enterprise Funds		56-57
Budget to GAAP Reconciliation		58
Notes to Required Supplementary Information – Budgetary Reporting		59
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-69
Internal Service Funds:		
Combining Schedule of Net Assets	3	70-71
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	72-73
Combining Schedule of Cash Flows	5	74-75

## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information (continued):		
Fiduciary Funds:		
Combining Schedule of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds	6	76
Combining Schedule of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds	7	77
Combining Schedule of Fiduciary Net Assets – Agency Funds	8	78
Combining Schedule of Changes in Trusts Payable - Agency Funds	9	79
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	10	81
Schedule of Expenditures of Federal Awards	11	82-83
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 <u>Government Auditing Standards</u>		85-86
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		89-90
Schedule of Findings and Questioned Costs		91-96
Staff		97

**City of Council Bluffs**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</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
Linda Andersen	Acting Director of Finance	Indefinite
Judith Ridgeley	City Clerk	Indefinite
Shelley English	Treasurer	(Resigned)
Debra Miller (Appointed)	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite
<b>(After January 2008)</b>		
Thomas Hanafan	Mayor	Jan 2010
Scott Belt	Mayor Pro tem	Jan 2010
Darren Bates	Council Member	Jan 2010
Lynne Branigan	Council Member	Jan 2012
Matthew Schultz	Council Member	Jan 2012
Matt Walsh	Council Member	Jan 2012
Cindy Lynch	Personnel Director	Indefinite
Linda Andersen	Acting Director of Finance	August 2008
Arthur W. Hill (August 2008)	Finance Director	Indefinite
Judith Ridgeley	City Clerk	Indefinite
Debra Miller	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 aggregate 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, 2008, 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, which represent 84.3 percent, 81.6 percent and 90 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report thereon 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 auditor.

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 auditor provide a reasonable basis for our opinions.

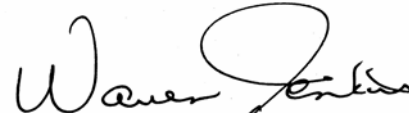
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2008, 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 February 19, 2009 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 17 and 56 through 59 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 five years ended June 30, 2007 (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

February 19, 2009



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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, 2008. 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, 2008 by \$312,681,050. Of this amount, \$2,297,800 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$17,097,625 during the year. The net assets associated with governmental activities increased \$12,774,620 and the net assets associated with business type activities increased \$4,323,005.
- The City's overall non-current liabilities decreased to \$65,621,882, a decrease of \$969,965 during the year. The general obligation bond portion of indebtedness decreased \$695,000.

### **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 departments and general administration. Property tax, 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, solid waste and recycling 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 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 net asset components of governmental activities at June 30, 2007 have been revised to properly reflect \$6,919,000 of notes payable from the Debt Service Fund for assets capitalized in the Enterprise, Sewer Fund in the "Unrestricted" net assets component rather than "Invested in Capital Assets, Net of Related Debt."

The analysis that follows shows the City's total net assets at June 30, 2008 and 2007.

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 84,211,269	78,617,745	8,005,688	5,393,937	92,216,957	84,011,682
Capital assets	235,263,655	227,405,469	101,498,501	100,149,105	336,762,156	327,554,574
Total assets	319,474,924	306,023,214	109,504,189	105,543,042	428,979,113	411,566,256
Long-term liabilities	65,578,151	66,245,563	43,731	346,284	65,621,882	66,591,847
Other liabilities	49,219,381	47,874,879	1,456,800	1,516,105	50,676,181	49,390,984
Total liabilities	114,797,532	114,120,442	1,500,531	1,862,389	116,298,063	115,982,831
Net assets:						
Invested in capital assets, net of related debt	191,101,228	180,297,490	101,199,118	99,533,684	292,300,346	279,831,174
Restricted	18,082,904	17,765,773	-	-	18,082,904	17,765,773
Unrestricted	(4,506,740)	(6,160,491)	6,804,540	4,146,969	2,297,800	(2,013,522)
Total net assets	\$ 204,677,392	191,902,772	108,003,658	103,680,653	312,681,050	295,583,425

Net assets of governmental activities increased over FY 2007 by \$12.8 million, or 6.7%. Net assets of business type activities increased over FY 2007 by \$4.3 million, or 4.2%. Capital assets of governmental activities increased \$7.1 million, or 3.1%, over fiscal 2007, primarily due an increase in infrastructure and other improvements in Trolley and Bayliss Parks and the Emil Pavich Trail. The City also acquired equipment and vehicles for the public safety program. Capital assets of business type activities increased \$1.3 million, or 1.3%, over FY 2007, primarily

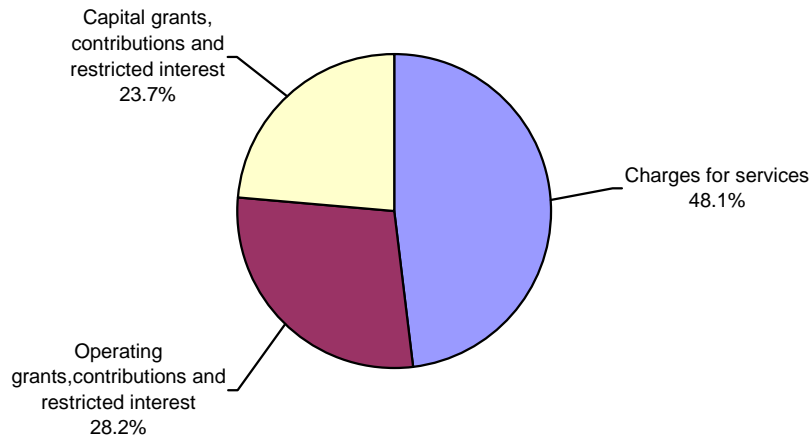
due to an increase in sewer and storm infrastructure and a sewer treatment plant rehabilitation project. Long term liabilities of governmental activities decreased \$667,412, or 1.0%, from FY 2007, primarily due to the issuance of \$7,615,000 of general obligation bonds netted against repayments of \$8,587,544 of general obligation bonds/notes and the urban renewal revenue capital loan note.

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 \$2.3 million. This is a \$4.3 million increase over the prior year unrestricted net assets, which were at a deficit of \$2.0 million. This increase is primarily due to a decrease in debt reported in governmental activities for assets that are capitalized in business type activities combined with an increase in the General Fund balance and assets available in business type activities from the sale of land at a gain of \$1.67 million. Restricted net assets increased over FY 2007 by \$317,131, or 1.8%.

	Governmental		Business Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for service	\$ 10,261,397	10,168,468	9,095,912	8,874,243	19,357,309	19,042,711
Operating grants, contributions and restricted interest	11,214,539	10,062,512	144,871	80,102	11,359,410	10,142,614
Capital grants, contributions and restricted interest	9,544,137	16,089,488	-	2,547,231	9,544,137	18,636,719
General revenues:						
Property tax levied for:						
General purposes	25,273,906	24,034,452	-	-	25,273,906	24,034,452
Debt service	6,584,767	6,220,880	-	-	6,584,767	6,220,880
Tax increment financing	3,548,580	1,384,337	-	-	3,548,580	1,384,337
Local option sales tax	3,814,009	2,032,485	3,492,325	5,252,871	7,306,334	7,285,356
Other city tax	9,537,314	9,661,386	-	-	9,537,314	9,661,386
Unrestricted investment earnings	771,465	1,256,656	66,324	32,822	837,789	1,289,478
Gain on disposition of capital assets	26,093	105,709	1,672,794	-	1,698,887	105,709
Miscellaneous	58,645	114,552	133,170	33,000	191,815	147,552
Total revenues	80,634,852	81,130,925	14,605,396	16,820,269	95,240,248	97,951,194
Program expenses:						
Public safety	23,825,855	24,790,690	-	-	23,825,855	24,790,690
Public works	13,486,989	9,946,764	-	-	13,486,989	9,946,764
Health and social services	561,859	471,757	-	-	561,859	471,757
Culture and recreation	7,748,286	6,718,057	-	-	7,748,286	6,718,057
Community and economic development	7,531,592	5,907,016	-	-	7,531,592	5,907,016
General government	10,914,762	10,385,104	-	-	10,914,762	10,385,104
Interest on long-term debt	3,110,714	3,061,451	-	-	3,110,714	3,061,451
Sewer	-	-	7,220,114	7,019,179	7,220,114	7,019,179
Other	-	-	3,742,452	3,481,343	3,742,452	3,481,343
Total expenses	67,180,057	61,280,839	10,962,566	10,500,522	78,142,623	71,781,361
Excess of revenues over expenses	13,454,795	19,850,086	3,642,830	6,319,747	17,097,625	26,169,833
Operating transfers, net	(680,175)	(3,173,334)	680,175	3,173,334	-	-
Change in net assets	12,774,620	16,676,752	4,323,005	9,493,081	17,097,625	26,169,833
Net assets, beginning of year	191,902,772	175,226,020	103,680,653	94,187,572	295,583,425	269,413,592
Net assets end of year	\$ 204,677,392	191,902,772	108,003,658	103,680,653	312,681,050	295,583,425

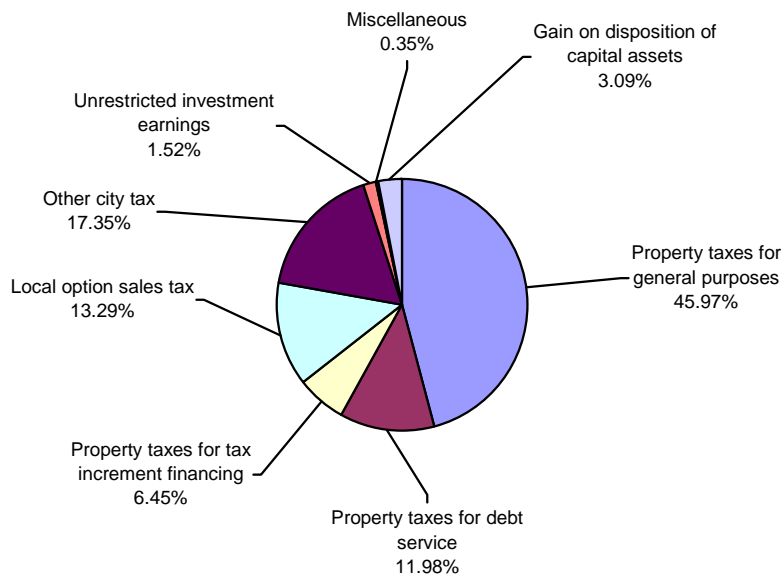
Total revenues reported for the primary government for the year ended June 30, 2008 were \$95,240,248. Program revenues totaled \$40,260,856 for the year ended June 30, 2008. Governmental activities provided \$31,020,073 and business type activities provided \$9,240,783. Revenue from charges for service during FY 2008 was \$19,357,309, accounting for 48.1% of the total program revenues. The following charts break down program revenues by source:

### FY08 Program Revenues



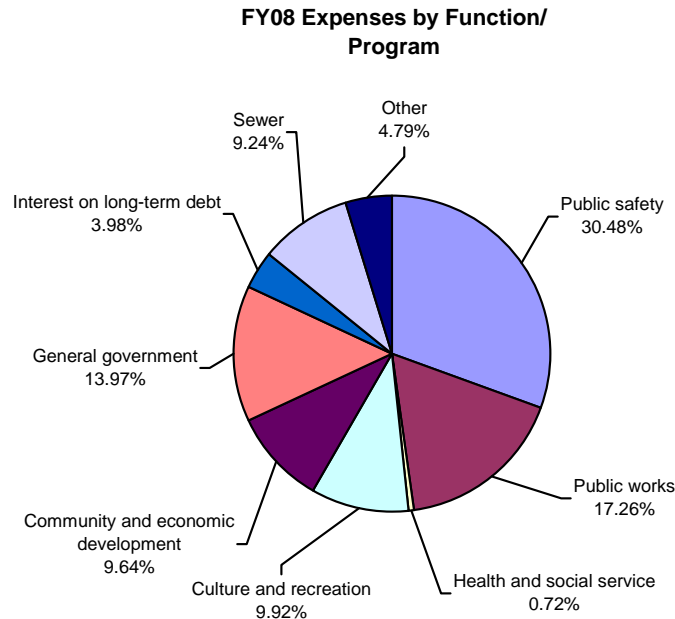
General revenues for the year ended June 30, 2008 totaled \$54,979,392. Governmental activities provided \$49,614,779 and business type activities provided \$5,364,613. Property tax revenues for FY 2008 totaled \$31,858,673, accounting for 57.9% of general revenues. The following chart illustrates general revenues by source:

### FY08 General Revenues



Overall revenues decreased \$2.7 million, or 2.8%, from FY 2007. The decrease is primarily the result of a \$9.1 million decrease in capital grants, contributions and restricted interest, offset by growth in nearly all other types of program and general revenue. The most significant increases came in the sale of assets (\$1.6 million increase over 2007) and tax increment financing (\$2.2 million increase over 2007). Unrestricted investment earnings decreased significantly due to sharp declines in interest rates.

Expenses for the primary government for the year ended June 30, 2008 totaled \$78,142,623. Expenses for governmental activities totaled \$67,180,057, accounting for 86.0% of total expenses. Business type activities expenses totaled \$10,962,566, or 14.0% 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, including in-house services provided to City departments

Expenses increased overall \$6.3 million, or 8.9%, from FY 2007. The City budgets and records expenses based on cost centers. The increase in expense is due to increased costs in public works related to the recognition of expenditures for approximately \$3.9 million of land previously held for resale. The recognition of the expenditure was delayed until the related asset was disposed of. Costs in general government for park building maintenance also increased. Expenses in community and economic development also increased as FY08 was the shop's first full year of operations.

## 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 \$23,825,855 and received \$4,569,938 in revenue, leaving a cost to taxpayers of \$19,255,917, a decrease of 3.2% from FY 2007, to be funded by various methods. This format 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 \$67,180,057. Of these costs, \$10,261,397 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 \$20,758,676, leaving a net expense of \$36,159,984 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>2008</u>	<u>2007</u>
<b>Governmental activities</b>		
Function/Program:		
Public safety	\$ (19,255,917)	(19,890,966)
Public works	339,185	7,190,971
Health and social services	(316,995)	(301,628)
Culture and recreation	(5,219,103)	(3,109,499)
Community and economic development	(2,032,245)	195,828
General government	(6,950,435)	(6,231,250)
Interest on long-term debt	(2,724,474)	(2,813,827)
Net (expense) revenue of governmental activities	(36,159,984)	(24,960,371)
General revenues and transfers	48,934,604	41,637,123
Change in net assets	<u>\$ 12,774,620</u>	<u>16,676,752</u>

Resources available during the year to finance governmental activities totaled \$271,857,449, consisting of net assets at July 1, 2007 of \$191,902,772, program revenues of \$31,020,073 and general revenues and transfers of \$48,934,604. During the year, governmental activities expenses totaled \$67,180,057. Governmental activities net assets increased \$12,774,620 to \$204,677,392.

## Business Type Activities

The cost of all business type activities for the year was \$10,962,566 as shown in the Statement of Activities. The amount charged to the users of the systems was \$9,095,912 and \$144,781 was funded from grants and contributions. Net expense for business type activities was \$1,721,873. The net (expense) revenue by business type activity for the years ended June 30, 2008 and 2007 is as follows:

Business Type Activities	Net (Expense) Revenue and Changes in Net Assets	
	2008	2007
Sewer	\$ (1,583,371)	1,023,114
Other nonmajor	(138,412)	(22,060)
Total net (expense) revenue	(1,721,783)	1,001,054
General revenues and transfers	6,044,788	8,492,027
Change in net assets	\$ 4,323,005	9,493,081

Resources available during the year to finance business type activities totaled \$118,966,224, consisting of net assets at July 1, 2007 of \$103,680,653, program revenues of \$9,240,783 and general revenues and transfers of \$6,044,788. During the year, business type activities expenses totaled \$10,962,566 and business type activities net assets increased \$4,323,005.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### GOVERNMENTAL FUND HIGHLIGHTS

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 \$41,318,868. The combined governmental fund balances increased \$7,313,229 over the prior year.

In prior years, the City reported each of its tax increment financing (TIF) funds individually, with the Special Revenue, MACC-01-1 TIF Fund reported as a major fund and all other TIF funds as nonmajor Special Revenue funds. For fiscal 2008, the City combined all TIF funds into one fund for reporting purposes.

Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$960,551, or 9.5%, over the prior year. Revenues remained relatively unchanged, decreasing just \$35,775, or 0.1%. Increases in property tax and intergovernmental revenue were offset by declines in all other areas of revenue. Expenditures increased \$913,053, or 2.4%, over the prior year. Increases were experienced in nearly all functional areas, including public safety (up 1.6%), public works (up 4.5%), health and social services (up 3.0%), culture and recreation (down 0.4%), community and economic development (up 18.1%) and general government (up 5.13%).
- The Special Revenue, Bass Pro Fund balance increased \$339,185, or 95.8%. Revenues were up \$651,465, primarily due to increased contributions from the Iowa West Foundation. Required contractual City contributions to the fund, reflected as transfers in, also increased \$587,458. These increases were offset by a \$918,675 increase in expenditures. Fiscal 2008 was the shop's first full year of operations.
- The Special Revenue, Tax Increment Financing Fund balance decreased nominally by \$42,893.



- The Debt Service Fund balance increased \$17,123, or 1.4%, over the prior year. The increase is a result of revenues and other financing sources exceeding expenditures for the year.
- The Capital Projects Fund balance increased \$814,276, or 5.5%, over the prior year. The increase is a result of revenues and other financing sources exceeding expenditures for the year.

## **PROPRIETARY FUND HIGHLIGHTS**

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended FY 2008 with a \$104,008,204 net asset balance compared to the prior year ending net asset balance of \$99,549,036, an increase of \$4,459,168, or 4.5%. The increase is primarily due to a \$1.67 million gain on the sale of land and the contribution of capital assets from governmental activities. While operating revenues and expenses remained fairly constant, overall revenues have continued to exceed expenses for the past several years.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was made to include higher costs in culture and recreation for landscaping and forestry, community and economic development for increased costs in the Bass Pro Shop and disbursement of a HUD grant, and general government for increased equipment maintenance costs. These costs are offset by increased budgeted receipts for Bass Pro Shop rent and contributions from Pottawattamie County Development Corporation and the Iowa West Foundation. Budget receipts also increased for a HUD grant.

The City's receipts were \$3,431,203 less than budgeted receipts, a variance of 3.4%. This is primarily due to the City receiving over \$5.4 million less miscellaneous receipts than expected due to capital projects not progressing as fast as anticipated so local funds could not be reimbursed to the City.

Overall, total disbursements were \$15,267,699 less than budgeted. Actual disbursements for the community and economic development, capital projects, general government and business type activities functions were \$1,285,039, \$9,262,120, \$1,672,711 and \$2,084,100, respectively, less than budgeted.

Even with the amendment, the City exceeded the budgeted amounts in the public works and culture and recreation functions for the year ended June 30, 2008.

The City is currently in the process of developing an operating budget for the fiscal year ending 2010 that will incorporate surpluses for nearly all 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, 2008 were \$335,877,543 (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 the Bayliss Park Rehabilitation Project and the Metro Crossing Sewer Extension.

The majority of the equipment acquired pertained to vehicles and equipment for the public safety program, which includes the Police and Fire Departments.

For business type activities, sewer projects completed include the sewer treatment plant rehabilitation project.

Construction in progress at June 30, 2008 includes the Avenue G Viaduct, the Fire Regional Training Facility, the fleet maintenance facility, the Valley View Drive extension, the South 24<sup>th</sup> Street – I-80 to 23<sup>rd</sup> Street extension and the recreation complex project. These projects are funded with local option sales tax revenues, debt proceeds, federal and state grants and local private grants and donations.

### **Long-term Debt**

At June 30, 2008, the City had \$57.8 million in general obligation bonds and notes outstanding versus \$58.5 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.

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 5% and 7% annually. City officials continue to take a practical approach to future staffing costs. Difficult economic times are returning; gaming revenues are expected to be lower in fiscal years 2008-09 and 2009-10, but that loss will be offset by gains in local sales tax revenues arising from expansion of the City's retail centers and shifts in spending patterns. Gaming and tourism remain strong economic factors, comprising nearly 7% to 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 \$7.3 million in FY 2008. Revenue is expected to increase 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 \$2,300,000 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 stabilize in the near future. Softening in overall average rates and general occupancy conditions will offset gains arising from specially targeted events like RAGBRAI, and other athletic events.

Mid American Energy finalized its billion dollar investment by completing its new coal-fired plant. This facility is fully operational and represents the single largest private investment in Iowa's history. The market valuations for Utilities with Gas & Electric increased from \$188,309,061 in January 2006 to \$1,232,245,270 in January 2007. The City will recognize an increase in tax revenues due to the valuation increase in fiscal year 2009.

Google is in the process of completing a 2,000 sq. ft. data center project in Council Bluffs. This phase of the project will create 200 high quality jobs. The City is currently in negotiation for a second phase with Google which is comparable in size and investment level with the first phase. Google has also acquired 900 acres and is in the planning stages of a third phase, which will equal or exceed the first two phases.

Two new retail centers were approved in 2006 and 2007. Approximately 800,000 sq. ft. of retail space has or will be added to the community.

## **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 Arthur W. Hill, CPA, City Finance Director at 712-328-4685.

**City of Council Bluffs**

## **Basic Financial Statements**

City of Council Bluffs  
Statement of Net Assets

June 30, 2008

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 40,112,119	5,038,101	45,150,220
Receivables:			
Property tax:			
Delinquent	795,135	-	795,135
Succeeding year	30,172,000	-	30,172,000
Tax increment financing:			
Delinquent	103,256	-	103,256
Succeeding year	3,327,000	-	3,327,000
Accounts (net of \$91,000 allowance for uncollectible accounts in the General Fund)	2,957,770	888,310	3,846,080
Special and drainage assessments	290,359	-	290,359
Customer accounts and unbilled usage	-	917,481	917,481
Accrued interest	63,453	16,022	79,475
Loans	745,902	-	745,902
Due from other governments	4,228,019	864,593	5,092,612
Inventories	1,160,628	281,181	1,441,809
Prepaid insurance	255,628	-	255,628
Total current assets	<u>84,211,269</u>	<u>8,005,688</u>	<u>92,216,957</u>
Noncurrent assets:			
Note receivable	750,000	-	750,000
Land held for resale	134,613	-	134,613
Capital assets (net of accumulated depreciation)	234,379,042	101,498,501	335,877,543
Bond issuance costs	-	-	-
Total noncurrent assets	<u>235,263,655</u>	<u>101,498,501</u>	<u>336,762,156</u>
<b>Total assets</b>	<u>319,474,924</u>	<u>109,504,189</u>	<u>428,979,113</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,885,570	671,401	3,556,971
Salaries and benefits payable	1,491,680	193,252	1,684,932
Accrued interest payable	183,445	-	183,445
Due to other governments	346,987	9,789	356,776
Deferred revenue:			
Succeeding year property tax	30,172,000	-	30,172,000
Succeeding year tax increment financing	3,327,000	-	3,327,000
Unearned revenue	-	77,582	77,582
Current portion due within one year:			
General obligation bonds/notes	8,615,000	230,000	8,845,000
Revenue bonds	-	-	-
Urban renewal revenue capital loan note	558,793	-	558,793
Capital lease purchase agreements	76,264	69,383	145,647
HUD loan	15,000	-	15,000
Compensated absences	1,547,642	205,393	1,753,035
Total current liabilities	<u>49,219,381</u>	<u>1,456,800</u>	<u>50,676,181</u>
Noncurrent liabilities:			
General obligation bonds/notes	48,990,000	-	48,990,000
Revenue bonds	-	-	-
Urban renewal revenue capital loan note	15,168,692	-	15,168,692
Capital lease purchase agreements	136,177	-	136,177
HUD loan	735,000	-	735,000
Compensated absences	548,282	43,731	592,013
Total noncurrent liabilities	<u>65,578,151</u>	<u>43,731</u>	<u>65,621,882</u>
<b>Total liabilities</b>	<u>114,797,532</u>	<u>1,500,531</u>	<u>116,298,063</u>

Component Units	
Airport Authority	Library Foundation
1,559,414	4,312,011
31,223	-
-	-
-	-
-	-
12,464	-
-	-
-	-
-	-
2,188,737	-
-	-
31,773	-
<u>3,823,611</u>	<u>4,312,011</u>
-	-
-	-
19,231,208	-
47,345	-
<u>19,278,553</u>	<u>-</u>
<u>23,102,164</u>	<u>4,312,011</u>
845,530	-
3,772	-
11,958	-
-	-
-	-
-	-
8,470	-
-	-
120,000	-
-	-
-	-
-	-
<u>989,730</u>	<u>-</u>
-	-
3,025,000	-
-	-
-	-
-	-
<u>3,025,000</u>	<u>-</u>
<u>4,014,730</u>	<u>-</u>

City of Council Bluffs  
Statement of Net Assets  
June 30, 2008

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	191,101,228	101,199,118	292,300,346
Restricted for:			
Local option sales tax	4,752,913	-	4,752,913
Streets	3,578,264	-	3,578,264
Library	-	-	-
Debt service	1,117,410	-	1,117,410
Capital projects	2,230,940	-	2,230,940
Other purposes	6,403,377	-	6,403,377
Unrestricted	(4,506,740)	6,804,540	2,297,800
<b>Total net assets</b>	<b>\$ 204,677,392</b>	<b>108,003,658</b>	<b>312,681,050</b>

See notes to financial statements.



Component Units	
Airport Authority	Library Foundation
16,086,208	-
-	-
-	4,312,011
-	-
-	-
-	-
3,001,226	-
<u>19,087,434</u>	<u>4,312,011</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2008

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 23,825,855	3,586,990	412,506	570,442
Public works	13,486,989	726,469	5,591,094	7,508,611
Health and social services	561,859	154,897	89,967	-
Culture and recreation	7,748,286	1,324,002	595,243	609,938
Community and economic development	7,531,592	852,390	3,791,811	855,146
General government	10,914,762	3,616,649	347,678	-
Interest on long-term debt	3,110,714	-	386,240	-
Total governmental activities	<u>67,180,057</u>	<u>10,261,397</u>	<u>11,214,539</u>	<u>9,544,137</u>
Business Type Activities:				
Sewer	7,220,114	5,505,772	130,971	-
Refuse and Disposal	3,742,452	3,590,140	13,900	-
Total business type activities	<u>10,962,566</u>	<u>9,095,912</u>	<u>144,871</u>	<u>-</u>
Total primary government	<u>\$ 78,142,623</u>	<u>19,357,309</u>	<u>11,359,410</u>	<u>9,544,137</u>
<b>Component Units:</b>				
Airport Authority	\$ 819,074	117,630	-	3,671,018
Library Foundation	750,726	-	490,174	-
Total component units	<u>\$ 1,569,800</u>	<u>117,630</u>	<u>490,174</u>	<u>3,671,018</u>
<b>General Revenues and Transfers:</b>				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other city tax				
Unrestricted investment earnings				
Gain on disposition of capital assets				
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	
(19,255,917)	-	(19,255,917)	-	-	
339,185	-	339,185	-	-	
(316,995)	-	(316,995)	-	-	
(5,219,103)	-	(5,219,103)	-	-	
(2,032,245)	-	(2,032,245)	-	-	
(6,950,435)	-	(6,950,435)	-	-	
(2,724,474)	-	(2,724,474)	-	-	
<u>(36,159,984)</u>	<u>-</u>	<u>(36,159,984)</u>	<u>-</u>	<u>-</u>	
-	(1,583,371)	(1,583,371)	-	-	
-	(138,412)	(138,412)	-	-	
-	<u>(1,721,783)</u>	<u>(1,721,783)</u>	-	-	
<u>(36,159,984)</u>	<u>(1,721,783)</u>	<u>(37,881,767)</u>	-	-	
-	-	-	2,969,574	-	
-	-	-	-	(260,552)	
-	-	-	<u>2,969,574</u>	<u>(260,552)</u>	
25,273,906	-	25,273,906	507,283	-	
6,584,767	-	6,584,767	-	-	
3,548,580	-	3,548,580	-	-	
3,814,009	3,492,325	7,306,334	-	-	
9,537,314	-	9,537,314	-	-	
771,465	66,324	837,789	86,529	-	
26,093	1,672,794	1,698,887	-	-	
58,645	133,170	191,815	8,392	-	
(680,175)	680,175	-	-	-	
<u>48,934,604</u>	<u>6,044,788</u>	<u>54,979,392</u>	<u>602,204</u>	<u>-</u>	
12,774,620	4,323,005	17,097,625	3,571,778	(260,552)	
<u>191,902,772</u>	<u>103,680,653</u>	<u>295,583,425</u>	<u>15,515,656</u>	<u>4,572,563</u>	
<u>\$ 204,677,392</u>	<u>108,003,658</u>	<u>312,681,050</u>	<u>19,087,434</u>	<u>4,312,011</u>	

**Exhibit C**

City of Council Bluffs

Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue						Total
	General	Bass Pro	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	
<b>Assets</b>							
Cash and pooled investments	\$ 8,071,508	647,939	289,988	1,131,903	16,139,102	11,463,629	37,744,069
Receivables:							
Property tax:							
Delinquent	403,286	-	-	168,952	-	222,897	795,135
Succeeding year	15,814,000	-	-	6,126,000	-	8,232,000	30,172,000
Tax increment financing:							
Delinquent	-	-	103,256	-	-	-	103,256
Succeeding year	-	-	3,327,000	-	-	-	3,327,000
Accounts (net)	1,919,599	46,767	-	-	632,744	42,537	2,641,647
Special and drainage assessments	151,934	-	-	-	-	138,425	290,359
Accrued interest	49,448	544	-	-	-	3,312	53,304
Loans	-	-	-	-	-	745,902	745,902
Note	-	-	-	-	-	750,000	750,000
Advance to other funds	2,533,648	-	-	-	-	-	2,533,648
Due from other governments	953,305	-	-	-	1,782,618	1,492,096	4,228,019
Inventories	250,895	-	-	-	-	909,733	1,160,628
Prepaid insurance	255,628	-	-	-	-	-	255,628
Land held for resale	-	-	-	-	134,613	-	134,613
<b>Total assets</b>	<b>\$ 30,403,251</b>	<b>695,250</b>	<b>3,720,244</b>	<b>7,426,855</b>	<b>18,689,077</b>	<b>24,000,531</b>	<b>84,935,208</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 595,263	2,000	591	-	1,528,404	528,059	2,654,317
Salaries and benefits payable	1,340,266	-	-	-	-	151,414	1,491,680
Advance from other funds	-	-	2,533,648	-	-	-	2,533,648
Due to other governments	331,809	-	1,913	-	-	13,265	346,987
Deferred revenue:							
Succeeding year property tax	15,814,000	-	-	6,126,000	-	8,232,000	30,172,000
Succeeding year tax increment financing	-	-	3,327,000	-	-	-	3,327,000
Other	1,246,732	-	-	41,394	1,473,109	329,473	3,090,708
Total liabilities	<b>19,328,070</b>	<b>2,000</b>	<b>5,863,152</b>	<b>6,167,394</b>	<b>3,001,513</b>	<b>9,254,211</b>	<b>43,616,340</b>
Fund balances:							
Reserved for:							
Encumbrances	3,125	-	-	-	92,565	7,165	102,855
Debt service	-	-	-	1,259,461	-	-	1,259,461
Capital projects	-	-	-	-	14,929,733	-	14,929,733
Advance to other funds	2,533,648	-	-	-	-	-	2,533,648
Loans and note receivable	-	-	-	-	-	1,495,902	1,495,902
Cemetery care	-	-	-	-	-	59,105	59,105
Unreserved, reported in:							
General fund	8,538,408	-	-	-	-	-	8,538,408
Special revenue funds	-	693,250	(2,142,908)	-	-	13,184,148	11,734,490
Capital projects fund	-	-	-	-	665,266	-	665,266
Total fund balances	<b>11,075,181</b>	<b>693,250</b>	<b>(2,142,908)</b>	<b>1,259,461</b>	<b>15,687,564</b>	<b>14,746,320</b>	<b>41,318,868</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,403,251</b>	<b>695,250</b>	<b>3,720,244</b>	<b>7,426,855</b>	<b>18,689,077</b>	<b>24,000,531</b>	<b>84,935,208</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, 2008

**Total governmental fund balances (page 26)** \$ 41,318,868

***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 the governmental funds. The cost of capital assets is \$310,808,515 and the accumulated depreciation is \$76,429,473. 234,379,042

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 3,090,708

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. 2,463,069

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements 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 governmental funds. (76,574,295)

**Net assets of governmental activities (page 22)** \$204,677,392

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, 2008

	Special Revenue						Total
	General	Bass Pro	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	
<b>Revenues:</b>							
Property tax	\$ 16,233,329	-	-	6,578,681	-	9,018,389	31,830,399
Tax increment financing	-	-	3,548,580	-	-	-	3,548,580
Other city tax	8,284,335	-	-	503,497	-	4,537,471	13,325,303
Licenses and permits	3,390,243	-	-	-	-	65,151	3,455,394
Use of money and property	720,322	637,549	-	386,240	8,400	43,316	1,795,827
Intergovernmental	895,318	336,980	-	5,227	8,113,472	6,922,847	16,273,844
Charges for service	3,199,830	-	-	-	-	98,802	3,298,632
Special and drainage assessments	-	-	-	-	-	210,925	210,925
Miscellaneous	1,140,317	1,100,000	52,642	-	3,719,705	1,744,164	7,756,828
Total revenues	33,863,694	2,074,529	3,601,222	7,473,645	11,841,577	22,641,065	81,495,732
<b>Expenditures:</b>							
Operating:							
Public safety	23,880,339	-	-	-	-	305,559	24,185,898
Public works	1,160,050	-	-	-	-	5,953,671	7,113,721
Health and social services	496,672	-	-	-	-	6,538	503,210
Culture and recreation	5,055,444	-	-	-	-	630,537	5,685,981
Community and economic development	466,640	1,081,614	1,150,267	-	-	1,445,719	4,144,240
General government	8,655,961	-	-	-	-	965,030	9,620,991
Debt service:							
Principal redeemed	-	527,544	-	8,060,000	-	-	8,587,544
Interest paid	-	884,444	-	2,301,095	-	-	3,185,539
Miscellaneous debt expense	-	-	-	4,800	-	-	4,800
Capital projects	-	-	-	-	21,197,403	-	21,197,403
Total expenditures	39,715,106	2,493,602	1,150,267	10,365,895	21,197,403	9,307,054	84,229,327
Excess (deficiency) of revenues over (under) expenditures	(5,851,412)	(419,073)	2,450,955	(2,892,250)	(9,355,826)	13,334,011	(2,733,595)
<b>Other financing sources (uses):</b>							
General obligation bonds issued	-	-	-	-	7,615,000	-	7,615,000
Premium on general obligation bonds	-	-	-	-	51,081	-	51,081
HUD loan proceeds	-	-	-	-	-	750,000	750,000
Sale of capital assets	30,505	-	-	-	-	-	30,505
Capital lease purchase agreement	68,531	-	-	-	86,120	-	154,651
Operating transfers in	8,984,487	787,458	-	2,909,373	2,517,901	521,941	15,721,160
Operating transfers out	(2,271,560)	(29,200)	(2,493,848)	-	(100,000)	(9,380,965)	(14,275,573)
Total other financing sources (uses)	6,811,963	758,258	(2,493,848)	2,909,373	10,170,102	(8,109,024)	10,046,824
Net change in fund balances	960,551	339,185	(42,893)	17,123	814,276	5,224,987	7,313,229
Fund balances beginning of year	10,114,630	354,065	(2,100,015)	1,242,338	14,873,288	9,521,333	34,005,639
Fund balances end of year	\$ 11,075,181	693,250	(2,142,908)	1,259,461	15,687,564	14,746,320	41,318,868

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, 2008

**Net change in fund balances-total governmental funds (page 28)** \$ 7,313,229

**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	\$ 15,145,370	
Contributed assets	55,436	
Depreciation expense	<u>(8,236,830)</u>	6,963,976

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the proceeds from the disposition increase financial resources in the governmental funds.

9,597

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	28,276	
Other	<u>(1,783,964)</u>	(1,755,688)

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 repayments exceeded issues, as follows:

Issued	(8,519,651)	
Repaid	<u>8,660,436</u>	140,785

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	(116,466)	
Interest on long-term debt	<u>28,544</u>	(87,922)

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.

190,643

**Change in net assets of governmental activities (page 25)** \$ 12,774,620

See notes to financial statements.

City of Council Bluffs  
Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Business Type Activities - Enterprise			Governmental
	Nonmajor -		Total	Activities
	Sewer	Refuse and Disposal		Internal Service
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 4,157,881	880,220	5,038,101	2,368,050
Receivables:				
Accounts	20,388	867,922	888,310	316,123
Customer accounts and unbilled usage	917,481	-	917,481	-
Accrued interest	16,022	-	16,022	10,149
Due from other funds	-	-	-	17,494
Due from other governments	864,593	-	864,593	-
Inventories	259,521	21,660	281,181	-
<b>Total current assets</b>	<b>6,235,886</b>	<b>1,769,802</b>	<b>8,005,688</b>	<b>2,711,816</b>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	98,649,781	2,848,720	101,498,501	-
<b>Total assets</b>	<b>104,885,667</b>	<b>4,618,522</b>	<b>109,504,189</b>	<b>2,711,816</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	289,245	382,156	671,401	231,253
Salaries and benefits payable	154,290	38,962	193,252	-
Due to other funds	-	-	-	17,494
Due to other governments	3,926	5,863	9,789	-
Unearned revenue	-	77,582	77,582	-
General obligation bonds	230,000	-	230,000	-
Capital lease purchase agreement	-	69,383	69,383	-
Compensated absences	168,381	37,012	205,393	-
<b>Total current liabilities</b>	<b>845,842</b>	<b>610,958</b>	<b>1,456,800</b>	<b>248,747</b>
Noncurrent liabilities:				
Compensated absences	31,621	12,110	43,731	-
<b>Total liabilities</b>	<b>877,463</b>	<b>623,068</b>	<b>1,500,531</b>	<b>248,747</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	98,419,781	2,779,337	101,199,118	-
Unrestricted	5,588,423	1,216,117	6,804,540	2,463,069
<b>Total net assets</b>	<b>\$ 104,008,204</b>	<b>3,995,454</b>	<b>108,003,658</b>	<b>2,463,069</b>

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, 2008

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Operating revenues:				
Charges for service	\$ 5,496,828	3,159,095	8,655,923	6,691,984
Miscellaneous	8,944	431,045	439,989	508,153
Total operating revenues	5,505,772	3,590,140	9,095,912	7,200,137
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	3,173,740
Public works	-	-	-	688,910
Health and social services	-	-	-	80,551
Culture and recreation	-	-	-	497,616
Community and economic development	-	-	-	115,937
General government	-	-	-	1,551,516
Business type activities:				
Sewer system and sewage disposal	4,869,896	-	4,869,896	-
Refuse disposal	-	3,552,550	3,552,550	-
Depreciation	2,207,218	185,116	2,392,334	-
Insurance	-	-	-	958,983
Total operating expenses	7,077,114	3,737,666	10,814,780	7,067,253
Operating income (loss)	(1,571,342)	(147,526)	(1,718,868)	132,884
Nonoperating revenues (expenses):				
Local option sales tax	3,492,325	-	3,492,325	-
Interest income	66,324	-	66,324	57,759
State and federal grants	130,971	13,900	144,871	-
Miscellaneous	133,170	-	133,170	-
Gain on sale of capital assets	1,670,545	2,249	1,672,794	-
Interest expense	(143,000)	(4,786)	(147,786)	-
Total nonoperating revenues (expenses)	5,350,335	11,363	5,361,698	57,759
Net income (loss) before contributions and transfers	3,778,993	(136,163)	3,642,830	190,643
Contributions and transfers:				
Capital contributions	2,125,762	-	2,125,762	-
Transfers out	(1,445,587)	-	(1,445,587)	-
Total contributions and transfers	680,175	-	680,175	-
Change in net assets	4,459,168	(136,163)	4,323,005	190,643
Net assets beginning of year	99,549,036	4,131,617	103,680,653	2,272,426
Net assets end of year	\$ 104,008,204	3,995,454	108,003,658	2,463,069

See notes to financial statements.

**Exhibit I**

## City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Business Type Activities - Enterprise			Governmental
	Nonmajor -		Total	Activities
	Sewer	Refuse and Disposal		Internal Service
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,456,261	3,041,078	8,497,339	6,619,223
Cash received from other sources	8,963	456,991	465,954	483,241
Cash paid for personal services	(3,590,759)	(758,133)	(4,348,892)	-
Cash paid to suppliers	(1,395,571)	(2,614,835)	(4,010,406)	(7,081,229)
Net cash provided by operating activities	478,894	125,101	603,995	21,235
Cash flows from noncapital financing activities:				
Transfers to other funds	(1,445,587)	-	(1,445,587)	-
Cash flows from investing activities:				
Interest on investments	53,786	-	53,786	52,038
Cash flows from capital and related financing activities:				
Nonoperating grants received	89,619	13,900	103,519	-
Local option sales tax	3,544,494	-	3,544,494	-
Miscellaneous revenue	133,006	-	133,006	-
Proceeds from sale of land	1,670,545	-	1,670,545	-
Acquisition of capital assets	(1,606,132)	(231,322)	(1,837,454)	-
Principal paid on general obligation bonds	(250,000)	-	(250,000)	-
Interest paid on general obligation bonds	(143,000)	-	(143,000)	-
Principal paid on capital lease purchase agreement	-	(66,039)	(66,039)	-
Interest paid on capital lease purchase agreement	-	(4,786)	(4,786)	-
Net cash provided (used) by capital and related financing activities	3,438,532	(288,247)	3,150,285	-
Net increase (decrease) in cash and cash equivalents	2,525,625	(163,146)	2,362,479	73,273
Cash and cash equivalents beginning of year	1,632,256	1,043,366	2,675,622	2,294,777
Cash and cash equivalents end of year	\$ 4,157,881	880,220	5,038,101	2,368,050

City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (1,571,342)	(147,526)	(1,718,868)	132,884
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	2,207,218	185,116	2,392,334	-
(Increase) in accounts receivable	(20,388)	(98,951)	(119,339)	(97,673)
(Increase) in customer accounts receivable and unbilled usage	(20,224)	-	(20,224)	-
(Increase) in inventories	(102,839)	(5,047)	(107,886)	-
Increase (decrease) in accounts payable	(12,257)	166,448	154,191	(13,976)
Increase in salaries and benefits payable	10,679	6,855	17,534	-
Increase (decrease) in due to other governments	(358)	5,789	5,431	-
Increase in unearned revenue	-	6,880	6,880	-
Increase (decrease) in compensated absences	(11,595)	5,537	(6,058)	-
Total adjustments	2,050,236	272,627	2,322,863	(111,649)
Net cash provided by operating activities	\$ 478,894	125,101	603,995	21,235

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, capital assets of \$2,125,762 were contributed to the Sewer Fund by the Capital Projects Funds related to the Sewer Fund.

See notes to financial statements.

City of Council Bluffs  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2008

	Pension and Other Employee Benefit Trust	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 1,580	20,137
Receivables:		
Property tax:		
Delinquent	2,848	-
Succeeding year	109,000	-
Accounts	-	244
Due from other governments		53,139
<b>Total assets</b>	113,428	73,520
<b>Liabilities</b>		
Accounts payable	135,625	-
Trusts payable	-	73,520
Deferred revenue:		
Succeeding year property tax	109,000	-
<b>Total liabilities</b>	244,625	73,520
<b>Net assets held in trust for employee benefits</b>	\$ (131,197)	-

See notes to financial statements.

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

Year ended June 30, 2008

	Pension and Other Employee Benefit Trust
Additions:	
Property and other city tax	\$ 119,192
Miscellaneous	3,110
Total additions	122,302
Deductions:	
Benefits and refunds paid to plan members	405,588
Change in net assets held in trust for employee benefits	(283,286)
Net assets held in trust for employee benefits beginning of year	152,089
Net assets held in trust for employee benefits end of year	\$ (131,197)

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2008

**(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, the Southwest Iowa Solid Waste Management Association 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, 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 Special Revenue, Tax Increment Financing Fund is used to account for revenue derived from the tax authorized by ordinance in the urban renewal district and used to pay indebtedness incurred for urban renewal.

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.

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, 2008 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2007.

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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, 2008. 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, 2008, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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, 2008 are as follows:

	Fair Value	Maturity
U.S. Treasury securities	\$ 281,970	November 2010
Repurchase agreements	<u>400,000</u>	July 2008
Total	<u>\$ 681,970</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$24,096,821 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation's investments at June 30, 2008 consist of mutual funds with a fair value of \$4,307,003.

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, 2008 was as follows:

<b>Primary Government</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,180,961	1,164,454	-	17,345,415
Construction in progress - infrastructure	19,484,503	-	-	19,484,503
Construction in progress - other	11,425,817	13,794,463	(8,966,494)	16,253,786
Total capital assets not being depreciated	<u>47,091,281</u>	<u>14,958,917</u>	<u>(8,966,494)</u>	<u>53,083,704</u>
Capital assets being depreciated:				
Buildings	111,388,453	-	-	111,388,453
Improvements other than buildings	18,717,446	5,881,251	-	24,598,697
Equipment and vehicles	17,975,331	1,440,152	(461,913)	18,953,570
Infrastructure, road network and other	100,854,410	1,929,681	-	102,784,091
Total capital assets being depreciated	<u>248,935,640</u>	<u>9,251,084</u>	<u>(461,913)</u>	<u>257,724,811</u>
Less accumulated depreciation for:				
Buildings	11,650,115	2,527,240	-	14,177,355
Improvements other than buildings	6,935,199	1,201,192	-	8,136,391
Equipment and vehicles	11,341,023	1,273,439	(428,809)	12,185,653
Infrastructure, road network and other	38,695,115	3,234,959	-	41,930,074
Total accumulated depreciation	<u>68,621,452</u>	<u>8,236,830</u>	<u>(428,809)</u>	<u>76,429,473</u>
Total capital assets being depreciated, net	<u>180,314,188</u>	<u>1,014,254</u>	<u>(33,104)</u>	<u>181,295,338</u>
Governmental activities capital assets, net	<u>\$ 227,405,469</u>	<u>15,973,171</u>	<u>(8,999,598)</u>	<u>234,379,042</u>
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,272,252	-	-	6,272,252
Construction in progress	8,980,853	3,654,736	(10,335,022)	2,300,567
Total capital assets not being depreciated	<u>15,253,105</u>	<u>3,654,736</u>	<u>(10,335,022)</u>	<u>8,572,819</u>
Capital assets being depreciated:				
Buildings	20,046,091	-	-	20,046,091
Improvements other than buildings	963,530	5,707,472	-	6,671,002
Equipment and vehicles	11,607,707	254,937	(19,000)	11,843,644
Infrastructure, sewer network	83,798,540	4,474,807	-	88,273,347
Total capital assets being depreciated	<u>116,415,868</u>	<u>10,437,216</u>	<u>(19,000)</u>	<u>126,834,084</u>
Less accumulated depreciation for:				
Buildings	8,408,085	386,276	-	8,794,361
Improvements other than buildings	725,150	114,294	-	839,444
Equipment and vehicles	5,746,589	578,800	(3,800)	6,321,589
Infrastructure, sewer network	16,640,044	1,312,964	-	17,953,008
Total accumulated depreciation	<u>31,519,868</u>	<u>2,392,334</u>	<u>(3,800)</u>	<u>33,908,402</u>
Total capital assets being depreciated, net	<u>84,896,000</u>	<u>8,044,882</u>	<u>(15,200)</u>	<u>92,925,682</u>
Business type activities capital assets, net	<u>\$ 100,149,105</u>	<u>11,699,618</u>	<u>(10,350,222)</u>	<u>101,498,501</u>

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

Governmental activities:	
Public safety	\$ 797,056
Public works	3,499,381
Health and social services	7,749
Culture and recreation	1,602,890
Community and economic development	2,290,203
General government	<u>39,551</u>
Total depreciation expense - governmental activities	<u>\$ 8,236,830</u>
Business type activities:	
Sewer	\$ 2,207,218
Nonmajor enterprise fund - refuse and disposal	<u>185,116</u>
Total depreciation expense - business type activities	<u>\$ 2,392,334</u>

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Discretely presented component unit - Airport:</b>				
Capital assets not being depreciated:				
Land	\$ 163,064	2,029,000	-	2,192,064
Construction in progress	13,286,463	-	9,740,819	3,545,644
Total capital assets not being depreciated	<u>13,449,527</u>	<u>2,029,000</u>	<u>9,740,819</u>	<u>5,737,708</u>
Capital assets being depreciated:				
Buildings	2,465,117	-	-	2,465,117
Improvements other than buildings	1,042,591	11,489,085	-	12,531,676
Equipment and vehicles	220,143	9,483	-	229,626
Total capital assets being depreciated	<u>3,727,851</u>	<u>11,498,568</u>	<u>-</u>	<u>15,226,419</u>
Less accumulated depreciation for:				
Buildings	954,564	51,092	-	1,005,656
Improvements other than buildings	322,705	226,265	-	548,970
Equipment and vehicles	154,408	23,885	-	178,293
Total accumulated depreciation	<u>1,431,677</u>	<u>301,242</u>	<u>-</u>	<u>1,732,919</u>
Total capital assets being depreciated, net	<u>2,296,174</u>	<u>11,197,326</u>	<u>-</u>	<u>13,493,500</u>
Discretely presented component unit capital assets, net	<u>\$ 15,745,701</u>	<u>13,226,326</u>	<u>9,740,819</u>	<u>19,231,208</u>
Total depreciation expense - discretely presented component unit				<u>\$ 301,242</u>

#### (4) Long-Term Liabilities

##### Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 58,050,000	7,615,000	(8,060,000)	57,605,000	8,615,000
Urban renewal revenue capital loan note	16,255,029	-	(527,544)	15,727,485	558,793
Capital lease purchase agreements	130,682	154,651	(72,892)	212,441	76,264
HUD loan	-	750,000	-	750,000	15,000
Compensated absences	1,979,458	1,896,226	(1,779,760)	2,095,924	1,547,642
Total	<u>\$ 76,415,169</u>	<u>10,415,877</u>	<u>(10,440,196)</u>	<u>76,390,850</u>	<u>10,812,699</u>
Business type activities:					
General obligation bonds	\$ 480,000	-	(250,000)	230,000	230,000
Capital lease purchase agreement	135,422	-	(66,039)	69,383	69,383
Compensated absences	255,182	229,686	(235,744)	249,124	205,393
Total	<u>\$ 870,604</u>	<u>229,686</u>	<u>(551,783)</u>	<u>548,507</u>	<u>504,776</u>

##### 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 \$57,605,000 at June 30, 2008. The portion of unmatured general obligation bonds expected to be repaid from proprietary fund revenues and accounted for in business type activities totaled \$230,000 at June 30, 2008. 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.

##### 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 related to the development of an outdoor world retail facility (see note 18).

Principal and interest on this note are 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,
- (4) Iowa West Foundation, Inc. guaranty, and
- (5) Certain annual appropriations totaling \$10,243,220 to be made by the City.

During the year ended June 30, 2008, principal payments of \$527,544 and interest payments of \$884,442 were made by the City.



## Capital Lease Purchase Agreements

The City has entered into five capital lease purchase agreements to lease telephone systems, mowers and a tractor loader with historical costs of \$152,467, \$193,473 and \$202,400, respectively. The following is a schedule of the future minimum lease payments, including interest at 8.26% and 8.17% for the telephone leases, 4.95% and 5.00% for the mower leases and 6.30% for the tractor loader lease, per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

Year Ending June 30,	Governmental Activities			Business Type
	Telephone Systems	Mowers	Total	Activities Tractor Loader
2009	\$ 37,288	52,476	89,764	70,825
2010	35,562	52,476	88,038	-
2011	16,740	23,130	39,870	-
2012	16,740	-	16,740	-
2013	4,185	-	4,185	-
Total minimum lease payments	110,515	128,082	238,597	70,825
Less interest	14,640	11,516	26,156	1,442
Present value of net minimum lease	\$ 95,875	116,566	212,441	69,383

Payments under the governmental and business type activities capital lease purchase agreements totaled \$85,578 and \$70,825, respectively, for the year ended June 30, 2008.

### Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2008 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
General obligation bonds:						
Essential corporate purpose	Dec 1, 1991	5.000-7.000%	June 1, 2011	\$ 130,000-370,000	4,040,000	1,035,000
Essential corporate purpose	Jul 1, 2001	3.500-4.125	June 1, 2011	975,000-1,530,000	8,700,000	4,185,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	3,900,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,400,000
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2019	380,000-520,000	8,000,000	7,520,000
Essential corporate purpose	Apr 10, 2006	4.000-4.200	June 1, 2020	100,000-2,945,000	8,220,000	4,160,000
Corporate purpose	May 1, 2007	4.000	June 1, 2020	100,000-2,100,000	8,965,000	8,865,000
Essential corporate purpose	May 1, 2007	3.700-4.000	June 1, 2020	155,000-240,000	2,150,000	2,150,000
Corporate purpose	Jun 23, 2008	3.25-4.000	June 1, 2021	140,000-805,000	7,615,000	7,615,000
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	1,850,000
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	4,200,000
Essential corporate purpose	Apr 1, 2002	4.000-4.500	June 1, 2010	75,000-1,525,000	4,100,000	2,775,000
Total governmental activities						\$ 57,605,000

Details of the urban renewal revenue capital loan note payable at June 30, 2008 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
Capital loan note	Dec 15, 1991	5.270% *	Jan 15, 2011	\$ 502,394 - 14,579,299	17,000,000	<u>\$ 15,727,485</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
2009	\$ 8,615,000	2,201,336	10,816,336	558,793	480,072	1,038,865
2010	8,580,000	1,847,240	10,427,240	589,393	382,231	971,624
2011	6,825,000	1,564,480	8,389,480	14,579,299	192,583	14,771,882
2012	5,025,000	1,279,313	6,304,313	-	-	-
2013	4,670,000	1,095,220	1,095,220	-	-	-
2014-2018	18,615,000	3,063,862	3,063,862	-	-	-
2019-2021	5,275,000	341,122	341,122	-	-	-
Total	<u>\$ 57,605,000</u>	<u>11,392,573</u>	<u>68,997,573</u>	<u>15,727,485</u>	<u>1,054,886</u>	<u>16,782,371</u>

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

Business type activities:

Details of general obligation bonds payable at June 30, 2008 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
General obligation bonds:						
Essential corporate purpose	May 17, 2005	3.500-4.000%	June 1, 2009	\$230,000-250,000	480,000	<u>\$ 230,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 230,000	134,250	364,250
2010	-	112,450	112,450
Total	<u>\$ 230,000</u>	<u>246,700</u>	<u>476,700</u>

At June 30, 2008, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 3,109,842,606</u>
Debt limit – 5% of total actual valuation	\$ 155,492,130
Less debt applicable to debt limit:	
General obligation debt outstanding	57,835,000
Capital lease purchase agreements	212,441
Tax increment indebtedness	<u>24,234,562</u>
Legal debt margin	<u>\$ 73,210,127</u>

**(5) U.S. Department of Housing and Urban Development (HUD) Loan**

HUD Loan to City

On August 20, 2007, the City entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to borrow \$750,000 under the provisions of the HUD Section 108 Loan Guarantee Program. The loan, for the purpose discussed below, is evidenced by a promissory note with a variable interest rate equal to 20 basis points (0.2%) above the applicable London Interbank Offered Rates (LIBOR), adjusted monthly. Interest is payable quarterly on the note and principal is due annually for twenty years beginning August 1, 2008 and ending August 1, 2027. During the year ended June 30, 2008, the City paid \$23,287 of interest on the note. Below is a summary of the annual principal and interest payments to maturity.

Year Ending June 30,	Principal	Interest	Total
2009	\$ 15,000	22,050	37,050
2010	15,000	21,600	36,600
2011	15,000	21,150	36,150
2012	15,000	20,700	35,700
2013	15,000	20,250	35,250
2014-2018	105,000	93,000	198,000
2019-2023	220,000	66,450	286,450
2024-2028	350,000	21,900	371,900
	<u>\$ 750,000</u>	<u>287,100</u>	<u>1,037,100</u>

\* Annual interest payments are estimated since the interest rate on this loan varies (the interest rate at June 30, 2008 is approximately 3.00% per annum).

Note Receivable to City

On September 7, 2007, the City entered into a \$750,000 leverage loan agreement with TC-Council Bluffs QEI, LLC, a Delaware limited liability company (obligor) for investment through NDC New Markets Investments XXVIII, L.P. for 117 Pearl Street, LLC, qualifying as a QALICB under section 45D of the Internal Revenue Code. The purpose of the agreement was to loan the HUD loan proceeds to assist with the redevelopment of the former NonPareil building in conjunction with the Pottawattamie County Development Corporation and J Development. The Section 108 funds were loaned through NDC New Markets Investments XXVIII, L.P. to accommodate the infusion of new market tax credits. The loan to the obligor is evidenced by a promissory note to the City with a variable interest rate equal to 20 basis points (0.2%) above the applicable London Interbank Offered Rates (LIBOR), adjusted monthly. The note is secured by an assignment and pledge for security purposes of the partnership interests of all the obligor's interest in NDC New Markets Investments XXVIII, L.P.

Principal on this note receivable is fully due and payable to the City no later than June 1, 2015. Prior to that date, the obligor shall make quarterly payments of accrued interest only, commencing on September 1, 2007 and continuing until June 1, 2015. During the year ended June 30, 2008, \$19,818 of interest was paid to the City on the note.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Bass Pro	\$ 29,200
	Nonmajor	8,955,287
		<u>8,984,487</u>
Special Revenue:	Special Revenue:	
Bass Pro	Tax Increment Financing	<u>787,458</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	1,659,373
	Enterprise:	
	Sewer	1,250,000
		<u>2,909,373</u>
Capital Projects	General	2,260,072
	Special Revenue:	
	Tax Increment Financing	47,017
	Nonmajor	15,225
	Enterprise:	
	Sewer	195,587
		<u>2,517,901</u>
Special Revenue:	General	11,488
Nonmajor	Special Revenue:	
	Nonmajor	410,453
	Capital Projects	100,000
		<u>521,941</u>
Total		<u>\$ 15,721,160</u>

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

**(7) Interfund Assets/Liabilities**

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Tax Increment Financing	<u>\$ 2,533,648</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.

**(8) 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 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll for the current year. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$741,224, \$671,573 and \$639,504, 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, 2008, 2007 and 2006 were \$3,057,321, \$3,255,926 and \$3,156,215, respectively, which met the required minimum contributions for each year.

**(9) 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, 2008, the City paid \$705,823 under this contract.

**(10) 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.

**(11) 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.

**(12) Employee Health Insurance Plan**

The Internal Service, Iowa Governmental Health Care Plan 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 Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the deductible of \$2,500/\$5,000 per single/family plans with a maximum out of pocket expense of \$5,000/\$10,000 for single/family plans. The deductible and maximum out of pocket expense for the city is reduced by the deductible amount paid by the employee of \$100/\$300 for single/family plans and employee maximum out of pocket expense of \$1,000/\$2,000 for single/family plans. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

Monthly payments of service fees and plan contributions to the Iowa Governmental Health Care Plan 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 Liberty Bank, Council Bluffs, Iowa and Iowa Governmental Health Care Plan administers the plan funds. The City records the plan assets and related liabilities of the Iowa Governmental Health Care Plan Fund as an Internal Service Fund. The City's contribution to the fund for the year ended June 30, 2008 was \$5,012,004.

Amounts payable from the Iowa Governmental Health Care Plan Fund at June 30, 2008 total \$200,000, 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, 2007	\$ 168,000
Incurred claims (including claims incurred but not reported as of June 30, 2008)	5,984,197
Payments on claims	<u>(5,952,197)</u>
Unpaid claims as of June 30, 2008	<u>\$ 200,000</u>

**(13) Deficit Fund Balances**

The Special Revenue, Tax Increment Financing and the Fiduciary Trust, 411 Benefits Funds had deficit fund balances of \$2,142,908 and \$133,034, respectively, at June 30, 2008. The deficit balances will be eliminated through the future collection of tax increment financing and property tax revenues, respectively.

**(14) Construction Commitments**

Construction commitments at June 30, 2008 totaled \$15,644,000, 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.

**(15) 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.

**(16) 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, 2008 carry an interest rate of 3% per annum and have terms ranging from 10 to 20 years. At June 30, 2008, there were 76 active loans with a total outstanding principal balance of \$745,902, which is included in loans receivable in these financial statements.

**(17) 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 \$32,702,245. The total decreased approximately \$20 million from the prior year, due primarily to the removal of the Google development agreement, which was changed to another type of job incentive agreement. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2008, the City rebated \$1,125,129 of incremental tax to developers, which included \$996,618 for principal and \$128,511 for interest. The total cumulative principal amount rebated on the agreements is \$3,313,299. The outstanding balance on the agreements at June 30, 2008 was \$29,388,946.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

Certain of the agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of those agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

**(18) 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, 2008, 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 note is 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 note 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 in the Special Revenue, Bass Pro Fund.

During the year ended June 30, 2008, the City paid \$787,458 into this fund as part of its obligation under the economic development agreement.

**(19) Restatement of the Airport Authority Financial Statements**

The Airport Authority's financial statements as of June 30, 2007 have been restated. As part of the airport expansion, improvements were made to a County road. The County agreed to reimburse the Airport Authority for a portion of the improvements. All work was completed and agreements consummated as of June 30, 2007. At that time, infrastructure improvements were transferred to the County. Therefore, the June 30, 2007 financial statements have been restated to reflect the reduction of construction in progress and the transfer of those improvements of \$2,852,423. Due from other governments was increased \$903,254, the present value of amounts due from the County for those improvements. As a result, net assets of the Airport Authority decreased \$1,949,169.



**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, 2008

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Receipts:			
Property tax	\$ 31,641,479	-	31,641,479
Tax increment financing	3,474,545	-	3,474,545
Other city tax	12,827,965	3,544,495	16,372,460
Licenses and permits	3,460,372	-	3,460,372
Use of money and property	1,760,439	61,786	1,822,225
Intergovernmental	16,061,032	103,519	16,164,551
Charges for service	3,142,696	8,497,342	11,640,038
Special and drainage assessments	210,320	-	210,320
Miscellaneous	8,674,631	2,261,502	10,936,133
Total receipts	<u>81,253,479</u>	<u>14,468,644</u>	<u>95,722,123</u>
Disbursements:			
Public safety	24,060,870	-	24,060,870
Public works	7,252,718	-	7,252,718
Health and social services	496,754	-	496,754
Culture and recreation	5,659,233	-	5,659,233
Community and economic development	4,907,505	-	4,907,505
General government	9,611,599	-	9,611,599
Debt service	12,170,883	-	12,170,883
Capital projects	19,117,880	-	19,117,880
Business type activities	-	10,267,578	10,267,578
Total disbursements	<u>83,277,442</u>	<u>10,267,578</u>	<u>93,545,020</u>
Excess (deficiency) of receipts over (under) disbursements	(2,023,963)	4,201,066	2,177,103
Other financing sources (uses), net	10,175,122	(1,838,587)	8,336,535
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,151,159	2,362,479	10,513,638
Balance beginning of year	29,491,873	2,675,622	32,167,495
Balance end of year	<u>\$ 37,643,032</u>	<u>5,038,101</u>	<u>42,681,133</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
31,679,985	31,679,985	(38,506)
3,597,000	3,597,000	(122,455)
17,457,346	17,457,346	(1,084,886)
2,872,750	2,872,750	587,622
1,312,020	1,941,020	(118,795)
12,218,412	13,305,412	2,859,139
11,695,000	11,695,000	(54,962)
195,314	195,314	15,006
16,059,499	17,159,499	(6,223,366)
97,087,326	99,903,326	(4,181,203)
24,912,305	24,912,305	851,435
7,737,122	6,957,122	(295,596)
684,861	684,861	188,107
5,137,524	5,637,524	(21,709)
4,342,544	6,192,544	1,285,039
10,154,310	11,284,310	1,672,711
10,812,375	12,412,375	241,492
34,830,000	28,380,000	9,262,120
12,351,678	12,351,678	2,084,100
110,962,719	108,812,719	15,267,699
(13,875,393)	(8,909,393)	11,086,496
8,860,000	14,336,847	(6,000,312)
(5,015,393)	5,427,454	5,086,184
23,392,971	32,167,495	-
18,377,578	37,594,949	5,086,184

City of Council Bluffs  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 81,253,479	242,253	81,495,732
Expenditures	83,277,442	951,885	84,229,327
Net	(2,023,963)	(709,632)	(2,733,595)
Other financing sources (uses)	10,175,122	(128,298)	10,046,824
Beginning fund balances	29,491,873	4,513,766	34,005,639
Ending fund balances	<u>\$ 37,643,032</u>	<u>3,675,836</u>	<u>41,318,868</u>
	Enterprise Funds		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 14,468,644	2,262,514	16,731,158
Expenses	10,267,578	694,988	10,962,566
Net	4,201,066	1,567,526	5,768,592
Other financing sources (uses)	(1,838,587)	393,000	(1,445,587)
Beginning net assets	2,675,622	101,005,031	103,680,653
Ending net assets	<u>\$ 5,038,101</u>	<u>102,965,557</u>	<u>108,003,658</u>

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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 nine major classes of disbursements known as functions, not by fund or fund type. These nine 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 decreased budgeted disbursements by \$2,150,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements in the public works and culture and recreation functions exceeded the amounts budgeted.

**City of Council Bluffs**

**Other Supplementary Information**

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Forfeited Assets
<b>Assets</b>						
Cash and pooled investments	\$ 2,846,607	-	364,089	428,700	20,781	44,166
Receivables:						
Property tax:						
Delinquent	-	11,641	-	-	-	-
Succeeding year	-	447,000	-	-	-	-
Accounts	196	-	-	-	-	-
Special and drainage assessments	126	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Loans	-	-	745,902	-	-	-
Due from other governments	422,551	-	164,960	-	-	4,513
Inventories	909,733	-	-	-	-	-
<b>Total assets</b>	<b>\$ 4,179,213</b>	<b>458,641</b>	<b>1,274,951</b>	<b>428,700</b>	<b>20,781</b>	<b>48,679</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 225,474	-	21,935	-	-	-
Salaries and benefits payable	130,064	-	20,030	-	-	-
Loan payable	-	-	-	-	-	-
Due to other governments	-	-	11,033	-	-	-
Deferred revenue:						
Succeeding year property tax	-	447,000	-	-	-	-
Other	126	2,819	-	-	-	-
Total liabilities	355,664	449,819	52,998	-	-	-
Fund balances:						
Reserved for:						
Encumbrances	7,165	-	-	-	-	-
Loans receivable	-	-	745,902	-	-	-
Cemetery care	-	-	-	-	-	-
Unreserved	3,816,384	8,822	476,051	428,700	20,781	48,679
Total fund balances	3,823,549	8,822	1,221,953	428,700	20,781	48,679
<b>Total liabilities and fund balances</b>	<b>\$ 4,179,213</b>	<b>458,641</b>	<b>1,274,951</b>	<b>428,700</b>	<b>20,781</b>	<b>48,679</b>



Special Revenue									
City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment	City Insurance	Drainage Districts			
						Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
4,229,162	416,020	14,786	11,920	899,907	839,650	56,453	95,980	233,965	47,652
-	28,026	11,219	428	73,716	97,867	-	-	-	-
-	1,077,000	730,000	16,000	2,281,000	3,681,000	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	53,654	29,819	42,779	-
-	-	-	-	-	-	-	-	-	-
757,903	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<b>4,987,065</b>	<b>1,521,046</b>	<b>756,005</b>	<b>28,348</b>	<b>3,254,623</b>	<b>4,618,517</b>	<b>110,107</b>	<b>125,799</b>	<b>276,744</b>	<b>47,652</b>
234,152	-	-	-	-	-	-	54	746	4,877
-	-	-	-	-	-	440	440	440	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,077,000	730,000	16,000	2,281,000	3,681,000	-	-	-	-
-	6,787	2,717	104	17,850	23,699	53,094	29,242	40,249	-
<b>234,152</b>	<b>1,083,787</b>	<b>732,717</b>	<b>16,104</b>	<b>2,298,850</b>	<b>3,704,699</b>	<b>53,534</b>	<b>29,736</b>	<b>41,435</b>	<b>4,877</b>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4,752,913	437,259	23,288	12,244	955,773	913,818	56,573	96,063	235,309	42,775
4,752,913	437,259	23,288	12,244	955,773	913,818	56,573	96,063	235,309	42,775
<b>4,987,065</b>	<b>1,521,046</b>	<b>756,005</b>	<b>28,348</b>	<b>3,254,623</b>	<b>4,618,517</b>	<b>110,107</b>	<b>125,799</b>	<b>276,744</b>	<b>47,652</b>

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue					
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	Police Cash Property Management
<b>Assets</b>						
Cash and pooled investments	\$ 26,620	220,118	128,911	281,970	196,822	245
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-
Accounts	-	-	-	-	42,341	-
Special and drainage assessments	-	-	-	-	12,047	-
Accrued interest	278	1,675	1,359	-	-	-
Loans	-	-	-	-	-	-
HUD loan	-	-	-	-	750,000	-
Due from other governments	-	-	-	-	142,169	-
Inventories	-	-	-	-	-	-
<b>Total assets</b>	<b>26,898</b>	<b>221,793</b>	<b>130,270</b>	<b>281,970</b>	<b>1,143,379</b>	<b>245</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	-	19,140	-	-	21,681	-
Salaries and benefits payable	-	-	-	-	-	-
Due to other governments	-	50	-	-	2,182	-
Deferred revenue:						
Succeeding year property tax	-	-	-	-	-	-
Other	-	-	-	-	152,786	-
Total liabilities	-	19,190	-	-	176,649	-
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Loans receivable	-	-	-	-	750,000	-
Cemetery care	-	-	-	-	-	-
Unreserved	26,898	202,603	130,270	281,970	216,730	245
Total fund balances	26,898	202,603	130,270	281,970	966,730	245
<b>Total liabilities and fund balances</b>	<b>26,898</b>	<b>221,793</b>	<b>130,270</b>	<b>281,970</b>	<b>1,143,379</b>	<b>245</b>

See accompanying independent auditor's report.

	Permanent	
	Fairview	
	Cemetery	
	Perpetual	
Total	Care	Total
11,404,524	59,105	11,463,629
222,897	-	222,897
8,232,000	-	8,232,000
42,537	-	42,537
138,425	-	138,425
3,312	-	3,312
745,902	-	745,902
750,000	-	750,000
1,492,096	-	1,492,096
909,733	-	909,733
<u>23,941,426</u>	<u>59,105</u>	<u>24,000,531</u>
528,059	-	528,059
151,414	-	151,414
13,265	-	13,265
8,232,000	-	8,232,000
329,473	-	329,473
<u>9,254,211</u>	<u>-</u>	<u>9,254,211</u>
7,165	-	7,165
1,495,902	-	1,495,902
-	59,105	59,105
13,184,148	-	13,184,148
<u>14,687,215</u>	<u>59,105</u>	<u>14,746,320</u>
<u>23,941,426</u>	<u>59,105</u>	<u>24,000,531</u>

City of Council Bluffs

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

Year ended June 30, 2008

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Forfeited Assets
<b>Revenues:</b>						
Property tax	\$ -	467,589	-	-	-	-
Other city tax	-	38,154	-	-	-	-
Licenses and permits	65,151	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	5,156,444	-	1,185,396	380,000	-	-
Charges for service	36,976	-	9,400	-	-	-
Special and drainage assessments	365	-	-	-	-	-
Miscellaneous	20,936	-	238,299	30,000	60,266	16,401
Total revenues	5,279,872	505,743	1,433,095	410,000	60,266	16,401
<b>Expenditures:</b>						
<b>Operating:</b>						
Public safety	-	-	-	-	-	6,097
Public works	3,970,906	-	-	-	-	-
Health and social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	1,046,788	120,000	61,681	-
General government	700,013	-	-	-	-	-
Total expenditures	4,670,919	-	1,046,788	120,000	61,681	6,097
Excess (deficiency) of revenues over (under) expenditures	608,953	505,743	386,307	290,000	(1,415)	10,304
<b>Other financing sources (uses):</b>						
HUD loan proceeds	-	-	-	-	-	-
Operating transfers in	410,453	-	-	-	-	-
Operating transfers out	(57,802)	(503,979)	-	-	-	-
Total other financing sources (uses)	352,651	(503,979)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	961,604	1,764	386,307	290,000	(1,415)	10,304
Fund balances beginning of year	2,861,945	7,058	835,646	138,700	22,196	38,375
Fund balances end of year	\$ 3,823,549	8,822	1,221,953	428,700	20,781	48,679

Special Revenue									
City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment	City Insurance	Drainage Districts			
						Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
-	1,096,468	455,683	17,293	2,987,267	3,994,089	-	-	-	-
3,814,009	90,916	36,394	1,389	239,132	317,477	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,780	714	29	4,687	993	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	42,209	30,092	44,157	94,102
326,318	-	-	-	-	-	-	-	-	-
4,140,327	1,189,164	492,791	18,711	3,231,086	4,312,559	42,209	30,092	44,157	94,102
-	-	-	-	-	-	19,417	13,785	6,463	-
1,893,486	-	-	-	-	-	-	-	-	89,279
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,893,486	-	-	-	-	-	19,417	13,785	6,463	89,279
2,246,841	1,189,164	492,791	18,711	3,231,086	4,312,559	22,792	16,307	37,694	4,823
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	(1,189,870)	(498,612)	(1,083)	(3,057,322)	(4,057,072)	-	-	-	-
-	(1,189,870)	(498,612)	(1,083)	(3,057,322)	(4,057,072)	-	-	-	-
2,246,841	(706)	(5,821)	17,628	173,764	255,487	22,792	16,307	37,694	4,823
2,506,072	437,965	29,109	(5,384)	782,009	658,331	33,781	79,756	197,615	37,952
4,752,913	437,259	23,288	12,244	955,773	913,818	56,573	96,063	235,309	42,775

City of Council Bluffs

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

Year ended June 30, 2008

	Special Revenue					Police Cash Property Management
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	
Revenues:						
Property tax	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Use of money and property	1,230	9,106	5,969	26,535	476	-
Intergovernmental	-	-	-	-	192,804	-
Charges for service	-	-	-	-	13,980	38,446
Special and drainage assessments	-	-	-	-	-	-
Miscellaneous	-	430,350	-	-	621,594	-
Total revenues	1,230	439,456	5,969	26,535	828,854	38,446
Expenditures:						
Operating:						
Public safety	-	-	-	-	221,542	38,255
Public works	-	-	-	-	-	-
Health and social services	-	-	-	-	6,538	-
Culture and recreation	-	449,438	-	-	181,099	-
Community and economic development	-	-	-	-	217,250	-
General government	-	-	-	-	265,017	-
Total expenditures	-	449,438	-	-	891,446	38,255
Excess (deficiency) of revenues over (under) expenditures	1,230	(9,982)	5,969	26,535	(62,592)	191
Other financing sources (uses):						
HUD loan proceeds	-	-	-	-	750,000	-
Operating transfers in	-	-	-	-	111,488	-
Operating transfers out	-	-	-	-	(15,225)	-
Total other financing sources (uses)	-	-	-	-	846,263	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,230	(9,982)	5,969	26,535	783,671	191
Fund balances beginning of year	25,668	212,585	124,301	255,435	183,059	54
Fund balances end of year	26,898	202,603	130,270	281,970	966,730	245

See accompanying independent auditor's report.

Total	Permanent Fairview Cemetery Perpetual Care	Total
9,018,389	-	9,018,389
4,537,471	-	4,537,471
65,151	-	65,151
43,316	-	43,316
6,922,847	-	6,922,847
98,802	-	98,802
210,925	-	210,925
1,744,164	-	1,744,164
<u>22,641,065</u>	-	<u>22,641,065</u>
305,559	-	305,559
5,953,671	-	5,953,671
6,538	-	6,538
630,537	-	630,537
1,445,719	-	1,445,719
965,030	-	965,030
<u>9,307,054</u>	-	<u>9,307,054</u>
<u>13,334,011</u>	-	<u>13,334,011</u>
750,000	-	750,000
521,941	-	521,941
(9,380,965)	-	(9,380,965)
<u>(8,109,024)</u>	-	<u>(8,109,024)</u>
5,224,987	-	5,224,987
9,462,228	59,105	9,521,333
<u>14,687,215</u>	<u>59,105</u>	<u>14,746,320</u>

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

June 30, 2008

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 617,348	341,494	-
Accounts receivable	-	-	84,930
Accrued interest	-	-	314
Due from other funds	-	-	-
Total assets	617,348	341,494	85,244
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	-	23,135
Due to other funds	-	-	17,494
Total liabilities	-	-	40,629
<b>Net Assets</b>			
Unrestricted	\$ 617,348	341,494	44,615

See accompanying independent auditor's report.



Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
917,311	314,822	177,075	2,368,050
231,193	-	-	316,123
9,835	-	-	10,149
17,494	-	-	17,494
<u>1,175,833</u>	<u>314,822</u>	<u>177,075</u>	<u>2,711,816</u>
200,000	8,118	-	231,253
-	-	-	17,494
<u>200,000</u>	<u>8,118</u>	<u>-</u>	<u>248,747</u>
<u>975,833</u>	<u>306,704</u>	<u>177,075</u>	<u>2,463,069</u>

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

Year ended June 30, 2008

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
Operating revenues:			
Charges for service:			
Reimbursements from operating funds	\$ 86,339	156,000	100,008
Reimbursements from retired employees	-	-	-
Reimbursements from current employees	-	-	-
	<u>86,339</u>	<u>156,000</u>	<u>100,008</u>
Miscellaneous	-	-	233,751
Total operating revenues	<u>86,339</u>	<u>156,000</u>	<u>333,759</u>
Operating expenses:			
Governmental activities:			
Public safety	-	-	33,168
Public works	-	800	188,319
Health and social services	-	-	12,604
Culture and recreation	-	-	159,574
Community and economic development	-	-	4,201
General government	-	-	91,395
Business type activities	-	-	247,800
Total operating expenses	<u>-</u>	<u>800</u>	<u>737,061</u>
Operating income (loss)	86,339	155,200	(403,302)
Nonoperating revenues:			
Interest income	-	-	10,807
Net income (loss)	86,339	155,200	(392,495)
Net assets beginning of year	<u>531,009</u>	<u>186,294</u>	<u>437,110</u>
Net assets end of year	<u>\$ 617,348</u>	<u>341,494</u>	<u>44,615</u>

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,012,004	450,000	200,000	6,004,351
291,445	-	-	291,445
396,188	-	-	396,188
5,699,637	450,000	200,000	6,691,984
231,427	-	42,975	508,153
5,931,064	450,000	242,975	7,200,137
2,854,292	286,280	-	3,173,740
499,791	-	-	688,910
67,947	-	-	80,551
247,127	-	90,915	497,616
111,736	-	-	115,937
1,460,121	-	-	1,551,516
711,183	-	-	958,983
5,952,197	286,280	90,915	7,067,253
(21,133)	163,720	152,060	132,884
46,952	-	-	57,759
25,819	163,720	152,060	190,643
950,014	142,984	25,015	2,272,426
975,833	306,704	177,075	2,463,069

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

Year ended June 30, 2008

	Public Works Equipment Payroll Sinking	Depreciation Revolving	Workers' Compensation Self Insurance
Cash flows from operating activities:			
Cash received from customers and users	\$ 86,339	156,000	100,008
Cash received from other sources	-	-	148,821
Cash paid to suppliers	-	(800)	(760,299)
Net cash provided by (used for) operating activities	<u>86,339</u>	<u>155,200</u>	<u>(511,470)</u>
Cash flows from noncapital financing activities:			
Deficit cash implicitly financed	-	-	17,494
Cash flows from investing activities:			
Interest on investments	-	-	12,041
Net increase (decrease) in cash and cash equivalents	86,339	155,200	(481,935)
Cash and cash equivalents beginning of year	531,009	186,294	481,935
Cash and cash equivalents end of year	<u>\$617,348</u>	<u>341,494</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 86,339	155,200	(403,302)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) in accounts receivable	-	-	(84,930)
Increase (decrease) in accounts payable	-	-	(23,238)
Total adjustments	-	-	(108,168)
Net cash provided by (used for) operating activities	<u>\$ 86,339</u>	<u>155,200</u>	<u>(511,470)</u>

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,626,876	450,000	200,000	6,619,223
291,445	-	42,975	483,241
(5,920,197)	(290,283)	(109,650)	(7,081,229)
(1,876)	159,717	133,325	21,235
(17,494)	-	-	-
39,997	-	-	52,038
20,627	159,717	133,325	73,273
896,684	155,105	43,750	2,294,777
917,311	314,822	177,075	2,368,050
(21,133)	163,720	152,060	132,884
(12,743)	-	-	(97,673)
32,000	(4,003)	(18,735)	(13,976)
19,257	(4,003)	(18,735)	(111,649)
(1,876)	159,717	133,325	21,235

**Schedule 6**

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## City of Council Bluffs

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

June 30, 2008

	Firemen's Pension	411 Benefits	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,580	-	1,580
Property tax:			
Delinquent	257	2,591	2,848
Succeeding year	8,000	101,000	109,000
<b>Total assets</b>	<b>9,837</b>	<b>103,591</b>	<b>113,428</b>
<b>Liabilities</b>			
Accounts payable	-	135,625	135,625
Deferred revenue:			
Succeeding year property tax	8,000	101,000	109,000
<b>Total liabilities</b>	<b>8,000</b>	<b>236,625</b>	<b>244,625</b>
<b>Net assets held in trust for employee benefits</b>	<b>\$ 1,837</b>	<b>(133,034)</b>	<b>(131,197)</b>

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, 2008

	Firemen's Pension	411 Benefits	Total
Additions:			
Property tax	\$ 10,551	99,403	109,954
Other city tax	834	8,404	9,238
Miscellaneous	-	3,110	3,110
Total additions	11,385	110,917	122,302
Deductions:			
Benefits and refunds paid to plan members	73,056	332,532	405,588
Change in net assets held in trust for employee benefits	(61,671)	(221,615)	(283,286)
Net assets held in trust for employee benefits beginning of year	63,508	88,581	152,089
Net assets held in trust for employee benefits end of year	\$ 1,837	(133,034)	(131,197)

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, 2008

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
<b>Assets</b>				
Cash and pooled investments	\$ 10,000	10,000	137	20,137
Accounts receivable	-	-	244	244
Due from other governments	-	53,139	-	53,139
<b>Total assets</b>	<b>\$ 10,000</b>	<b>63,139</b>	<b>381</b>	<b>73,520</b>
<b>Liabilities</b>				
Trusts payable	\$ 10,000	63,139	381	73,520

See accompanying independent auditor's report.



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

Year ended June 30, 2008

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
Additions:				
Trusts received	\$ -	753,273	6,537	759,810
Deductions:				
Agency remittances:				
Trusts paid out	-	698,244	6,550	704,794
Change in net assets	-	55,029	(13)	55,016
Balances beginning of year	10,000	8,110	394	18,504
Balances end of year	\$ 10,000	63,139	381	73,520

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 Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
Revenues:						
Property tax	\$ 31,830,399	30,233,157	28,381,903	26,346,058	24,963,919	23,656,726
Tax increment financing	3,548,580	1,384,337	1,230,247	902,756	794,607	970,564
Other city tax	13,325,303	11,720,071	11,413,261	12,687,008	12,023,106	10,537,000
Licenses and permits	3,455,394	3,510,264	1,051,748	1,176,222	982,507	898,554
Use of money and property	1,795,827	2,073,470	1,624,075	818,897	388,327	743,139
Intergovernmental	16,273,844	12,020,294	12,479,002	12,739,275	12,374,149	12,591,692
Charges for service	3,298,632	3,317,768	3,818,793	3,284,574	3,145,863	3,352,793
Special and drainage assessments	210,925	203,542	111,622	1,034	1,374	1,789
Miscellaneous	7,756,828	10,863,550	11,684,492	6,591,318	4,401,510	10,421,653
<b>Total</b>	<b>\$ 81,495,732</b>	<b>75,326,453</b>	<b>71,795,143</b>	<b>64,547,142</b>	<b>59,075,362</b>	<b>63,173,910</b>
Expenditures:						
Operating:						
Public safety	\$ 24,185,898	24,010,444	23,582,483	22,882,165	21,331,574	20,553,454
Public works	7,113,721	6,826,252	8,313,984	9,706,538	10,796,327	7,063,654
Health and social services	503,210	488,102	508,110	1,196,578	1,429,313	1,212,027
Culture and recreation	5,685,981	5,349,274	5,219,482	4,602,801	4,629,009	5,541,315
Community and economic development	4,144,240	3,481,043	22,419,715	5,027,689	2,914,913	2,732,121
General government	9,620,991	9,426,637	5,298,251	4,967,337	5,375,981	4,323,001
Debt service	11,777,883	11,006,109	9,834,396	15,304,432	7,889,109	10,535,859
Capital projects	21,197,403	21,149,556	18,272,003	12,150,551	8,498,096	20,248,881
<b>Total</b>	<b>\$ 84,229,327</b>	<b>81,737,417</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, 2008

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-07-MC-19-0005	\$ 1,185,396
Community Development Block Grants/Section 108 Loan Guarantees	14.248	B-05-MC-19-0005	750,000
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98763701-0	74,710
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98763801-0	59,910
			<u>134,620</u>
Total direct			<u>2,070,016</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Home Investment Partnerships Program	14.239	04-HM-135-64	120,000
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	07JAG/CO6-A02	74,334
Community Prosecution and Project Safe Neighborhoods	16.609	03-SD06	13,496
Community Prosecution and Project Safe Neighborhoods	16.609	06-SD06	39,890
			<u>53,386</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1642(644)--70-78	3,233,699
Highway Planning and Construction	20.205	HES-U-1642(648)--8X-78	676,367
Highway Planning and Construction	20.205	HDP-1642(645)71-78	229,194
Highway Planning and Construction	20.205	BROS-1642(628)-8J-78	2,229
Highway Planning and Construction	20.205	STP-E-1642(649)-8V-78	325,000
			<u>4,466,489</u>
Federal Transit - Formula Grants	20.507	FY 2007	136,457
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-X001-164-06	15,871
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 07-163, Task 18	17,939
State and Community Highway Safety	20.600	PAP 07-02, Task 02	16,576
State and Community Highway Safety	20.600	PAP 08-02, Task 2	21,075
			<u>55,590</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		1,166

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2007-TB01	2,850
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2008-TB10	200
			<u>3,050</u>
Immunization Grants	93.268	58871420	2,981
Immunization Grants	93.268	58881420	24,838
			<u>27,819</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2008-ELC08	1,040
HIV Prevention Activities Health Department Based	93.940	5887AP05	2,420
HIV Prevention Activities Health Department Based	93.940	5887AP21	6,155
HIV Prevention Activities Health Department Based	93.940	5888AP05	8,157
HIV Prevention Activities Health Department Based	93.940	5888AP21	17,299
			<u>34,031</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Department of Homeland Security and Emergency Management Division:			
Pre-Disaster Mitigation	97.017	PDMC-2005-78-01	154,165
Public Assistance Grants	97.036	FEMA-1763-DR1A	88,583
Assistance to Firefighters Grant	97.044	EMW-2006-FG-05824	8,147
City of Atlantic Fusion Center:			
Homeland Security Grant Program	97.067	FY04-LETPP-LEIN-4-04	2,797
Total indirect			<u>5,242,925</u>
Total			<u>\$ 7,312,941</u>

**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

State Capitol Building  
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 aggregate 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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2009. Our report was modified to include a reference to 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. Another auditor audited the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit, as described in our report on the City of Council Bluffs' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Council Bluffs' ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Council Bluffs' financial statements that is more than inconsequential will not be prevented or detected by the City of Council Bluffs' internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Council Bluffs' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described as item II-A-08 is a material weakness.

#### 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.

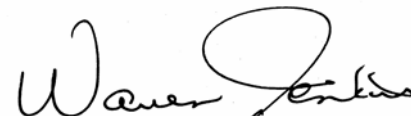
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

The City of Council Bluffs' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Council Bluffs' responses and, accordingly, we express no opinion on them.

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

February 19, 2009



**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**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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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, 2008. 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Council Bluffs' internal control over compliance.

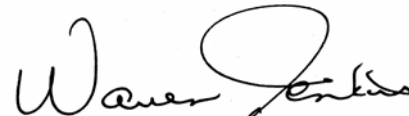
A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

This report, 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

February 19, 2009

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including an item considered to be a material weakness.
- (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 14.248 – Community Development Block Grants – Section 108 Loan Guarantees.
  - 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, 2008

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

**SIGNIFICANT DEFICIENCIES:**

II-A-08 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the City’s financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are properly included in the City’s financial statements.

Response – The City will continue to take additional corrective measures to improve its financial reporting system and ensure payables and receivables are properly reported in financial statements.

Conclusion – Response accepted.

II-B-08 Evidence of Review of Reconciliations – Independent reviews of the City’s monthly bank reconciliations and the sanitation system reconciliations of receivables, billings and collections were not evidenced by the reviewer’s initials and date of review.

Recommendation – To improve financial accountability and control, the monthly bank reconciliations and the sanitation system reconciliations of receivables, billings and collections should be reviewed by someone independent of preparing these reconciliations. The independent review should be evidenced with the reviewer’s initials and the date of the review.

Response – Effective with the December 31, 2008 bank reconciliations, the Finance Director initials the bank reconciliation documenting review and agreement with the general ledger. The Finance Director will develop a procedure to report sanitation department accounts receivable activity and agree charges, collections, miscellaneous charges and adjustments per account receivable detail to amounts recorded in the general ledger.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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, 2008

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

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public works and culture and recreation 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 has implemented a monthly financial reporting package which should more quickly alert officials whether the City will be in a position in which the budget must be amended.

Conclusion – Response accepted.

IV-B-08 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-08 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Clifton Anderson, Fireman, Owner of Cliff's Outdoor & Tactical Supply	Equipment	\$ 9,633

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Fireman may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions exceed \$1,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Responsible officials in the police and fire departments made purchase decisions based on the material needed by the department and the costs of such equipment as quoted by Anderson and/or other suppliers. Both officials made his respective decision based on the objective merits of the transaction, not on the fact that the ultimate supplier was an employee of the fire department. The City will take steps to ensure that in the case of potential purchase from employees, adequate documentation will exist to support that the transaction was transacted at arms' length in the best interest of the City.



City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Conclusion – Response acknowledged. The City should consult legal counsel to determine the legality of the expenditures based on Chapter 362.5(10) of the Code of Iowa.

IV-E-08 Bond Coverage – The City Treasurer was not covered under a surety bond for several weeks after her employment date as required by Chapter 64.2 of the Code of Iowa.

Recommendation – The City should ensure all City officials are covered under a surety bond as required by the Code of Iowa. The amount of coverage should be reviewed for all City officials and employees annually to ensure the coverage is adequate for current operations.

Response – The current City Treasurer was hired November 17, 2007 and was covered by a surety bond within six weeks of the date of employment. Coverage was effective January 2, 2008.

Conclusion – Response accepted.

IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-08 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.

IV-H-08 Financial Condition – At June 30, 2008, the following funds had deficit balances:

Fund	June 30, 2008 Balance
Special Revenue:	
Tax Increment Financing	\$ (2,142,908)
Fiduciary Trust:	
411 Benefits	(133,034)

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

Response – The negative balance within the Mid America Center TIF district is scheduled to be reduced and ultimately eliminated over time as TIF revenue is received and applied to the debt of the TIF district. Property taxes planned for the upcoming fiscal year(s) should eliminate the negative balance in the 411 benefits fund.

Conclusion – Response accepted.

IV-I-08 Annual Financial Report – The City's annual financial report was prepared and filed timely for the year ended June 30, 2008. However, the report contained material amounts which could not be substantiated. Several receipt and disbursement line items varied significantly from the City's records and working trial balances.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Recommendation – The annual financial report should be amended to correct material amounts reported which could not be substantiated.

Response – The City of Council Bluffs filed its annual report in a timely method and properly reported total revenue and total expenditures, however it does acknowledge classification errors that require correction. These corrections will be made and a properly classified annual report will be re-filed.

Conclusion – Response accepted.

IV-J-08

Lease Purchases – The City did not publish notice of or hold public hearings prior to entering into two lease purchase agreements as required by Chapter 364.4(4)(e) of the Code of Iowa.

Recommendation – The City should comply with Chapter 364.4 of the Code of Iowa prior to entering into future lease purchase agreements.

Response – The Finance Director and Purchasing Specialist will review all proposed lease purchase arrangements and ensure proposed agreements which City staff wish to enter receive proper public hearing and council approval prior to execution.

Conclusion – Response accepted.

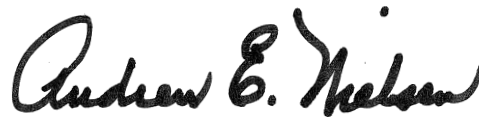
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City of Council Bluffs

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Michael J. Hackett, Staff Auditor  
Mike R. Field, Staff Auditor  
Dorothy O. Stover, Staff Auditor  
Tiffany M. Ainger, Staff Auditor  
Keith C. Kistenmacher, Staff Auditor  
Alison P. Baker, Assistant Auditor  
Mike L. Castagnoli, Assistant Auditor  
Kurt D. Goldsmith, Assistant Auditor  
Joshua A. Pronk, Assistant Auditor

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