



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

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**NEWS RELEASE**

FOR RELEASE

March 26, 2008

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

The City's revenues totaled \$97,951,194 for the year ended June 30, 2007, a 13.8 percent decrease from the prior year. Revenues included \$39,916,718 in property and other city tax, \$1,384,337 from tax increment financing, \$19,042,711 from charges for service, \$10,142,614 from operating grants, contributions and restricted interest, \$18,636,719 from capital grants, contributions and restricted interest, \$7,285,356 from local option sales tax, \$1,289,478 from unrestricted investment earnings and \$253,261 from other general revenues.

Expenses for City operations totaled \$71,781,361, a 5.6 percent decrease from the prior year, and included \$24,790,690 for public safety, \$10,385,104 for general government and \$9,946,764 for public works. Expenses for business type activities totaled \$10,500,522.

The significant decrease in revenues is due primarily to capital contributions received in the prior year for the Bass Pro Outdoor World Center project.

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

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**CITY OF COUNCIL BLUFFS**

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

**JUNE 30, 2007**

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**City of Council Bluffs**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Hanafan	Mayor	Jan 2010
Scott Belt	Mayor Pro tem	Jan 2010
Lynne Branigan	Council Member	Jan 2008
Matthew Schultz	Council Member	Jan 2008
Matt Walsh	Council Member	Jan 2008
Darren Bates	Council Member	Jan 2010
Cindy Lynch	Personnel Director	Indefinite
Scott Sanders	Director of Finance	Resigned
Linda Andersen	Acting Director of Finance	Indefinite
Marcia Worden	Acting City Clerk	Jan 2, 2007
Judith Ridgeley (Appointed)	City Clerk	Indefinite
Rita Milner	Treasurer	Retired
Shelley English (Appointed)	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report 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 auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2007, 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 March 3, 2008 on our consideration of the City of Council Bluffs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Council Bluffs' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (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

March 3, 2008

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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, 2007. 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, 2007 by \$295,583,425. Of this amount, \$4,905,478 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$26,169,833 during the year. The net assets associated with governmental activities increased \$16,676,752 and the net assets associated with business type activities increased \$9,493,081.
- The City's overall non-current liabilities increased to \$66,591,847, an increase of \$2,547,724 during the year. The general obligation bond portion of indebtedness increased \$3,620,000.

### **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 taxes, user fees and state and federal grants finance most of these activities.
- Business Type Activities – The City charges fees to customers to cover the cost of these services. Included here are the City's sewer and solid waste activities.
- Component Units – These are operations that are legally separate from the City but for which the City is financially accountable. The City's discretely presented component units are the Council Bluffs Airport Authority and the Library Foundation.

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

### **Fund Financial Statements**

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

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

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The analysis that follows shows the City's total net assets at June 30, 2007 and 2006.

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 78,617,745	64,315,971	5,393,937	6,161,245	84,011,682	70,477,216
Capital assets	227,405,469	216,281,805	100,149,105	79,640,287	327,554,574	295,922,092
Total assets	306,023,214	280,597,776	105,543,042	85,801,532	411,566,256	366,399,308
Long-term liabilities	66,245,563	63,123,159	346,284	1,268,309	66,591,847	64,391,468
Other liabilities	47,874,879	42,248,597	1,516,105	2,223,093	49,390,984	44,471,690
Total liabilities	114,120,442	105,371,756	1,862,389	3,491,402	115,982,831	108,863,158
Net assets:						
Invested in capital assets, net of related debt	173,378,490	159,110,952	99,533,684	78,050,973	272,912,174	237,161,925
Restricted	17,765,773	12,939,617	-	-	17,765,773	12,939,617
Unrestricted	758,509	3,175,451	4,146,969	4,259,157	4,905,478	7,434,608
Total net assets	\$ 191,902,772	175,226,020	103,680,653	82,310,130	295,583,425	257,536,150

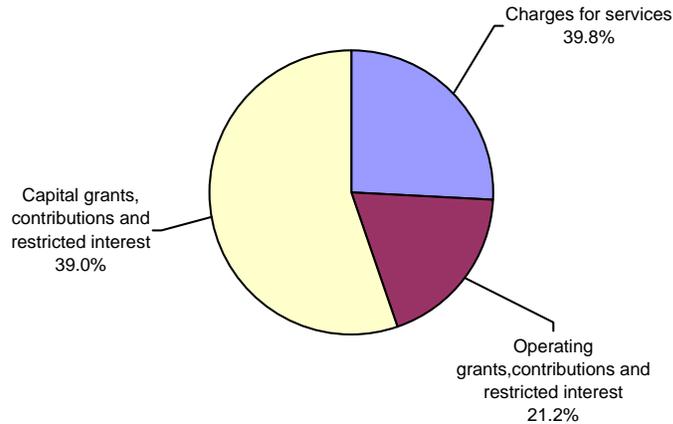
Net assets of governmental activities increased over FY 2006 by \$16.7 million, or 9.5%. Net assets of business type activities increased over FY 2006 by \$9.5 million, or 10%. Capital assets of governmental activities increased \$11.1 million, or 5.1%, over fiscal 2006, primarily due to the addition of a police training facility and an increase in infrastructure, including developer donated pavement. Capital assets of business type activities increased \$20.5 million, or 25.8%, over FY 2006, primarily due to an increase in sewer and storm infrastructure, including developer donated sanitary and storm sewers. Long term liabilities of governmental activities increased \$3.1 million, or 4.9%, over FY 2006, primarily due to the issuance of \$11,115,000 of general obligation bonds netted against repayments of \$7,290,872 of general obligation bonds/notes.

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 \$4.9 million. This is a \$2.5 million decrease from the prior year unrestricted net assets of \$7.4 million. This decrease is primarily due to an increase in debt reported in the governmental activities for assets capitalized in the business type activities. Restricted net assets increased over FY 2006 by \$4.8 million, or 37.3%. This increase is the result of an increase in the amounts restricted for streets and capital projects.

	Governmental		Business Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service	\$ 10,168,468	7,876,060	8,874,243	8,744,236	19,042,711	16,620,296
Operating grants, contributions and restricted interest	10,062,512	11,882,076	80,102	163,922	10,142,614	12,045,998
Capital grants, contributions and restricted interest	16,089,488	31,289,080	2,547,231	4,318,634	18,636,719	35,607,714
General revenues:						
Property tax levied for:						
General purposes	24,034,452	22,497,883	-	-	24,034,452	22,497,883
Debt service	6,220,880	5,783,551	-	-	6,220,880	5,783,551
Tax increment financing	1,384,337	1,230,247	-	-	1,384,337	1,230,247
Local option sales tax	2,032,485	1,435,178	5,252,871	6,810,075	7,285,356	8,245,253
Other city tax	9,661,386	9,978,083	-	-	9,661,386	9,978,083
Unrestricted investment earnings	1,256,656	796,565	32,822	-	1,289,478	796,565
Gain on disposition of capital assets	105,709	-	-	1,226	105,709	1,226
Miscellaneous	114,552	869,830	33,000	-	147,552	869,830
Total revenues	81,130,925	93,638,553	16,820,269	20,038,093	97,951,194	113,676,646
Program expenses:						
Public safety	24,790,690	23,367,537	-	-	24,790,690	23,367,537
Public works	9,946,764	12,179,474	-	-	9,946,764	12,179,474
Health and social services	471,757	497,478	-	-	471,757	497,478
Culture and recreation	6,718,057	6,407,003	-	-	6,718,057	6,407,003
Community and economic development	5,907,016	14,411,811	-	-	5,907,016	14,411,811
General government	10,385,104	6,346,367	-	-	10,385,104	6,346,367
Interest on long-term debt	3,061,451	2,857,508	-	-	3,061,451	2,857,508
Sewer	-	-	7,019,179	6,608,528	7,019,179	6,608,528
Other	-	-	3,481,343	3,329,798	3,481,343	3,329,798
Total expenses	61,280,839	66,067,178	10,500,522	9,938,326	71,781,361	76,005,504
Excess of revenues over expenses	19,850,086	27,571,375	6,319,747	10,099,767	26,169,833	37,671,142
Operating transfers, net	(3,173,334)	(1,777,675)	3,173,334	1,777,675	-	-
Change in net assets	16,676,752	25,793,700	9,493,081	11,877,442	26,169,833	37,671,142
Net assets, beginning of year	175,226,020	149,432,320	94,187,572	82,310,130	269,413,592	231,742,450
Net assets end of year	\$ 191,902,772	175,226,020	103,680,653	94,187,572	295,583,425	269,413,592

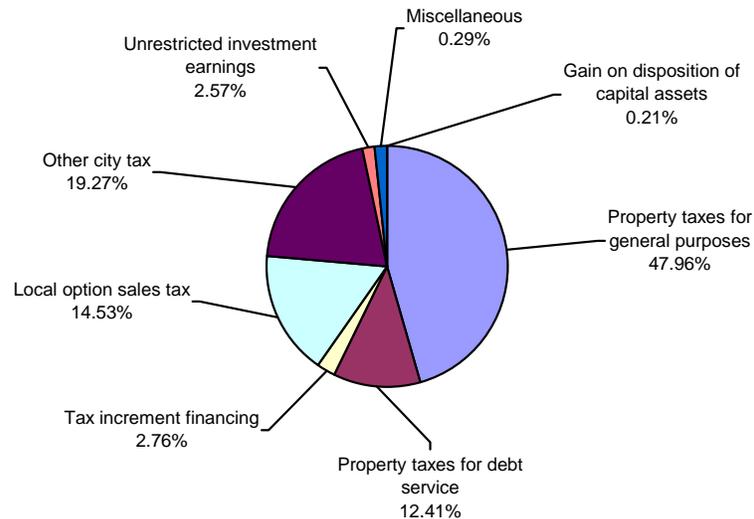
Total revenues reported for the primary government for the year ended June 30, 2007 was \$97,951,194. Program revenues totaled \$47,822,044 for the year ended June 30, 2007. Governmental activities provided \$36,320,468 and business type activities provided \$11,501,576. Revenue from charges for service during FY 2007 was \$19,042,711, accounting for 39.8% of the total program revenues. The following charts break down program revenues by source:

**FY07 Program Revenues**



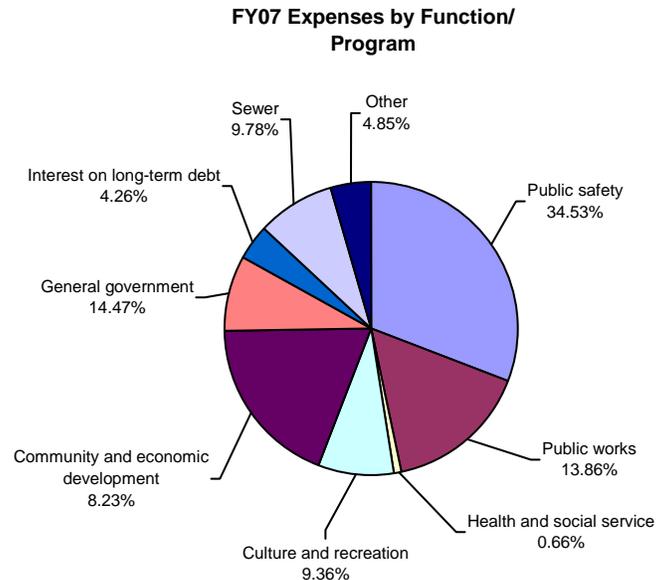
General revenues for the year ended June 30, 2007 totaled \$50,129,150. Governmental activities provided \$44,810,457 and business type activities provided \$5,318,693. Property tax revenues for FY 2007 totaled \$30,255,332, accounting for 60.4% of general revenues. The following chart illustrates general revenues by source:

**FY07 General Revenues**



Overall revenues decreased \$15.7 million, or 13.8%, from FY 2006. The decrease is primarily the result of a \$16.9 million decrease in capital grants, contributions and restricted interest. The City received a \$13 million contribution in the prior year for the Bass Pro Shop. Unrestricted investment earnings increased due to rising interest rates.

Expenses for the primary government for the year ended June 30, 2007 totaled \$71,781,361. Expenses for governmental activities totaled \$61,280,839, accounting for 85.4% of total expenses. Business type activities expenses totaled \$10,500,522, or 14.6% 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 decreased overall \$4.2 million, or 5.6%, from FY 2006. During FY 2007, the City budgeted and recorded expenses based on cost centers. This resulted in a decrease in public works expenses for the cost of repairs to City vehicles, engineer services, etc. and an increase in general government expenses since these services provided to City departments are considered an administrative expense.

### **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 \$24,790,690 and received \$4,899,724 in revenue, leaving a cost to taxpayers of \$19,890,966, an increase of 14.4% over FY 2006, to be funded by various methods. This format also identifies how much each function draws from general revenues or is self-sustaining through fees or grants.

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

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

The total cost of governmental activities this year was \$61,280,839. Of these costs, \$10,168,468 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 \$26,152,000, leaving a net expense of \$24,960,371 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>2007</u>	<u>2006</u>
<b>Governmental activities</b>		
Function/Program:		
Public safety	\$ (19,890,966)	(17,388,527)
Public works	7,190,971	4,520,963
Health and social services	(301,628)	(364,486)
Culture and recreation	(3,109,499)	(1,613,023)
Community and economic development	195,828	5,427,657
General government	(6,231,250)	(4,196,482)
Interest on long-term debt	(2,813,827)	(1,406,064)
Net (expense) revenue of governmental activities	(24,960,371)	(15,019,962)
General revenues and transfers	41,637,123	40,813,662
Change in net assets	<u>\$ 16,676,752</u>	<u>25,793,700</u>

Resources available during the year to finance governmental activities totaled \$253,183,611, consisting of net assets at July 1, 2006 of \$175,226,020, program revenues of \$36,320,468 and general revenues and transfers of \$41,637,123. During the year, governmental activities expenses totaled \$61,280,839. Governmental activities net assets increased \$16,676,752 to \$191,902,772.

### **Business Type Activities**

The cost of all business type activities for the year was \$10,500,522 as shown in the Statement of Activities. The amount charged to the users of the systems was \$8,874,243 and \$2,627,333 was funded from grants and contributions, resulting in total net (expense) revenue for business type activities of \$1,001,054. The net (expense) revenue by business type activity for the years ended June 30, 2007 and 2006 is as follows:

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>2007</u>	<u>2006</u>
<b>Business Type Activities</b>		
Sewer	\$ 1,023,114	3,310,995
Other nonmajor	(22,060)	(22,529)
Total net (expense) revenue	1,001,054	3,288,466
General revenues and transfers	8,492,027	8,588,976
Change in net assets	<u>\$ 9,493,081</u>	<u>11,877,442</u>

Resources available during the year to finance business type activities totaled \$114,181,175, consisting of net assets at July 1, 2006 of \$94,187,572, program revenues of \$11,501,576 and general revenues and transfers of \$8,492,027. During the year, business type activities expenses totaled \$10,500,522. As a result, business type activities net assets increased \$9,493,081.

## **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 \$34,005,639. The combined governmental fund balances increased \$8,348,131 over the prior year. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$2,389,237, or 30.9%, over the prior year. Revenues increased \$3,498,888, or 11.5%, primarily due to increases in property tax and licenses and permits revenues. These revenues increased \$1,017,602 and \$2,459,196, respectively. The increase in licenses and permits is primarily due to the enactment of a new gas and electric franchise fee in FY07, resulting in additional revenues over FY06 of \$1,557,663. The City also reclassified cable franchise fees, totaling \$558,302 in FY07, to licenses and permits from other city tax.

Expenditures increased \$3,186,123, or 8.9%, over the prior year. The increase is primarily due to realignment of recorded expenditures based on cost centers. The largest increase of \$1,100,000 resulted from charging for the cost of repairs to City vehicles. Another realignment resulted in approximately \$300,000 from the creation of a centralized Information Technology division to serve all city departments. Both of these are considered administrative costs centers and are accounted for as general governmental expenditures. Renovations to the City Clerk and Treasurer's offices resulted in an increase of \$500,000. Contractual wage increases of 3.5% accounted for the remaining rise in expenditures.

- The Special Revenue, City Insurance Fund balance increased \$186,741, or 39.6%, over the prior year. Property and other city tax revenues were up \$340,798 over the prior year. This increase was offset by fewer transfers into and out of the fund.
- The Special Revenue, Bass Pro Fund balance increased \$1,767, or .5%, a moderate change from the prior year.
- The Special Revenue, MACC 01-1 TIF Fund, a new major fund in FY07, reported a decrease in fund balance of \$653,385, or 35.5%, from the prior year amount of \$(1,836,922). This decrease is primarily due to an increase in the amount advanced to this fund from General Fund gaming revenues during FY 2007. The City expects to eliminate this deficit through future tax increment financing revenues.
- The Debt Service Fund balance increased \$94,450, or 8.2%, 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 \$5,517,824, or 59%, over the prior year amount of \$9,355,464. An increase of \$10,558,573 in other financing sources for bond proceeds and transfers in were offset by a decrease in revenues of \$1,306,328 and an increase in expenditures of \$2,877,553.

### **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 2007 with a \$99,549,036 net asset balance compared to the prior year ending net asset balance of \$90,033,895, an increase of \$9,515,141, or 10.6%. The increase is primarily due to an increase in capital grants and contributions and current year revenues and transfers in exceeding expenses and transfers out.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was made to include higher costs for street resurfacing and repair, library operational costs, golf pro disbursements, quality management costs, interest on the urban renewal capital loan note related to the Bass Pro Shop and a pedestrian bridge capital project. The budgeted costs for business type activities also increased for projects related to the Sewer Fund. These costs are offset by increased budgeted receipts for Bass Pro Shop rent, interest on investments, a grant from the City of Omaha for the pedestrian bridge and increased local option sales tax receipts.

The City's receipts were \$10,790,965 less than budgeted receipts, a variance of 10.8%. This is primarily due to the City receiving over \$11,000,000 less intergovernmental receipts than expected due to capital projects not progressing as fast as anticipated so federal and state grant funds could not be reimbursed to the City.

Overall, total disbursements were \$12,993,297 less than budgeted. Actual disbursements for the public works, community and economic development, capital projects and business type activities functions were \$3,702,691, \$2,012,342, \$8,387,187 and \$939,499, respectively, less than budgeted. This was primarily due to administrative changes to cost center accounting. The public works expenditures for the cost of repairs to City vehicles were budgeted in the public works function but were classified as general government expenditures. The expenditures for larger community development projects were budgeted in community and economic development function but were expended from the capital projects function. Capital project expenditures were less than budgeted because capital projects did not progress as fast as anticipated. A planned capital equipment outlay was budgeted for the proprietary fund but the expenditure was postponed to a later year.

Even with the amendment, the City exceeded the budgeted amounts in the culture and recreation, general government and debt service functions for the year ended June 30, 2007.

The City is currently in the process of developing an operating budget for the fiscal year ending 2009 that will incorporate surpluses for most of the funds, including the General Fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure, represents the value of the resources utilized to provide services to our citizens. Capital assets at June 30, 2007 were \$327,554,574 (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 South 24<sup>th</sup> Street/27<sup>th</sup> Avenue Improvements and the North 16<sup>th</sup> Rehab project for the Lakin Human Services Campus.

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 US 275 Sewer Improvement Phase II and 29<sup>th</sup> Avenue Sewer Pump Station.

Construction in progress at June 30, 2007 includes the Avenue G Viaduct, Metro Crossing Sewer Extension, Bayliss Park Rehab, the Fire Regional Training Facility and the East Beltway Roadway. 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, 2007, the City had \$58.5 million in general obligation bonds and notes outstanding versus \$54.9 million last year. The City's general obligation bonds continue to carry an A1 rating as assigned by Moody's Investor Services. Assignment of this rating reflects the City's continued moderate tax base growth, sound financial operations and rapid debt retirement. The City continues to operate well under the State debt capacity limitation. The State limits the amount of general obligation debt outstanding to 5% of the assessed value of all taxable property in the community. Bond proceeds will fund equipment and various capital improvements in the City.

Both the City's direct and overall debt burdens of 2.7% and 3.6%, respectively, are average and the retirement of debt is rapid, with 90.9% retired in ten years and all debt retired within fifteen years. The City's property tax-supported capital improvement plan is structured such that the City's annual borrowings approximate or are less than the amounts being retired on an annual basis. Consequently, the City's debt burden is expected to decline, given expected continuation of tax base growth, rapid principal amortization and modest future debt plans of approximately \$7 million annually.

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

## **ECONOMIC FACTORS**

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

Local option sales tax revenue continues to be strong at about \$7.3 million in FY 2007. Revenue is expected to increase further due to the opening of new retail establishments.

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

Mid American Energy within the last year finalized their billion dollar investment by completing their 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 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 the City Finance Department at 712-328-4605.

## **Basic Financial Statements**

City of Council Bluffs  
Statement of Net Assets

June 30, 2007

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 31,786,650	2,675,622	34,462,272
Receivables:			
Property tax:			
Delinquent	577,938	-	577,938
Succeeding year	28,348,000	-	28,348,000
Tax increment financing:			
Delinquent	29,220	-	29,220
Succeeding year	3,237,000	-	3,237,000
Accounts (net of \$150,000 allowance for uncollectible accounts in the General Fund)	2,663,539	768,969	3,432,508
Special and drainage assessments	278,781	-	278,781
Customer accounts and unbilled usage	-	897,157	897,157
Accrued interest	12,734	3,484	16,218
Loans	734,320	-	734,320
Due from other governments	5,781,071	875,410	6,656,481
Inventories	925,189	173,295	1,098,484
Prepaid insurance	282,830	-	282,830
Total current assets	<u>74,657,272</u>	<u>5,393,937</u>	<u>80,051,209</u>
Noncurrent assets:			
Land held for resale	3,960,473	-	3,960,473
Capital assets (net of accumulated depreciation)	227,405,469	100,149,105	327,554,574
Bond issuance costs	-	-	-
Total noncurrent assets	<u>231,365,942</u>	<u>100,149,105</u>	<u>331,515,047</u>
<b>Total assets</b>	<u>306,023,214</u>	<u>105,543,042</u>	<u>411,566,256</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,288,612	741,009	5,029,621
Salaries and benefits payable	1,278,487	175,718	1,454,205
Accrued interest payable	211,989	-	211,989
Due to other governments	341,185	4,357	345,542
Deferred revenue:			
Succeeding year property tax	28,348,000	-	28,348,000
Succeeding year tax increment financing	3,237,000	-	3,237,000
Unearned revenue	-	70,701	70,701
Current portion due within one year:			
General obligation bonds/notes	8,060,000	250,000	8,310,000
Urban renewal revenue capital loan note	527,544	-	527,544
Capital lease purchase agreement	40,993	66,039	107,032
Compensated absences	1,541,069	208,281	1,749,350
Total current liabilities	<u>47,874,879</u>	<u>1,516,105</u>	<u>49,390,984</u>
Noncurrent liabilities:			
Bonds payable	-	-	-
General obligation bonds/notes	49,990,000	230,000	50,220,000
Urban renewal revenue capital loan note	15,727,485	-	15,727,485
Capital lease purchase agreement	89,689	69,383	159,072
Compensated absences	438,389	46,901	485,290
Total noncurrent liabilities	<u>66,245,563</u>	<u>346,284</u>	<u>66,591,847</u>
<b>Total liabilities</b>	<u>114,120,442</u>	<u>1,862,389</u>	<u>115,982,831</u>

Component Units	
Airport Authority	Library Foundation
1,851,570	4,572,563
7,708	-
-	-
-	-
-	-
10,409	-
-	-
-	-
-	-
224,236	-
-	-
6,969	-
<u>2,100,892</u>	<u>4,572,563</u>
-	-
18,598,124	-
53,900	-
<u>18,652,024</u>	<u>-</u>
<u>20,752,916</u>	<u>4,572,563</u>
6,529	-
4,599	-
12,338	-
-	-
-	-
-	-
9,625	-
110,000	-
-	-
-	-
-	-
<u>143,091</u>	<u>-</u>
3,145,000	-
-	-
-	-
-	-
-	-
<u>3,145,000</u>	<u>-</u>
<u>3,288,091</u>	<u>-</u>

City of Council Bluffs  
Statement of Net Assets  
June 30, 2007

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	173,378,490	99,533,684	272,912,174
Restricted for:			
Local option sales tax	2,506,072	-	2,506,072
Streets	2,629,600	-	2,629,600
Library	-	-	-
Debt service	1,810,014	-	1,810,014
Capital projects	6,510,346	-	6,510,346
Other purposes	4,309,741	-	4,309,741
Unrestricted	758,509	4,146,969	4,905,478
<b>Total net assets</b>	<b>\$ 191,902,772</b>	<b>103,680,653</b>	<b>295,583,425</b>

See notes to financial statements.

<u>Component Units</u>	
<u>Airport Authority</u>	<u>Library Foundation</u>
15,343,124	-
-	-
-	-
-	4,572,563
-	-
-	-
-	-
<u>2,121,701</u>	<u>-</u>
<u>17,464,825</u>	<u>4,572,563</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2007

	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	\$ 24,790,690	3,520,866	542,359	836,499
Public works	9,946,764	661,459	5,530,499	10,945,777
Health and social services	471,757	36,522	133,607	-
Culture and recreation	6,718,057	1,309,207	292,666	2,006,685
Community and economic development	5,907,016	1,148,270	2,654,047	2,300,527
General government	10,385,104	3,492,144	661,710	-
Interest on long-term debt	3,061,451	-	247,624	-
Total governmental activities	<u>61,280,839</u>	<u>10,168,468</u>	<u>10,062,512</u>	<u>16,089,488</u>
Business Type Activities:				
Sewer	7,019,179	5,415,260	79,802	2,547,231
Other	3,481,343	3,458,983	300	-
Total business type activities	<u>10,500,522</u>	<u>8,874,243</u>	<u>80,102</u>	<u>2,547,231</u>
Total primary government	<u>\$ 71,781,361</u>	<u>19,042,711</u>	<u>10,142,614</u>	<u>18,636,719</u>
<b>Component Units:</b>				
Airport Authority	\$ 617,848	109,898	-	3,732,281
Library Foundation	110,917	-	3,137,815	-
Total component units	<u>\$ 728,765</u>	<u>109,898</u>	<u>3,137,815</u>	<u>3,732,281</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				
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	
(19,890,966)	-	(19,890,966)	-	-	-
7,190,971	-	7,190,971	-	-	-
(301,628)	-	(301,628)	-	-	-
(3,109,499)	-	(3,109,499)	-	-	-
195,828	-	195,828	-	-	-
(6,231,250)	-	(6,231,250)	-	-	-
(2,813,827)	-	(2,813,827)	-	-	-
<u>(24,960,371)</u>	<u>-</u>	<u>(24,960,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,023,114	1,023,114	-	-	-
-	(22,060)	(22,060)	-	-	-
-	1,001,054	1,001,054	-	-	-
<u>(24,960,371)</u>	<u>1,001,054</u>	<u>(23,959,317)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	3,224,331	-	-
-	-	-	-	3,026,898	-
-	-	-	<u>3,224,331</u>	<u>3,026,898</u>	<u>-</u>
24,034,452	-	24,034,452	393,503	-	-
6,220,880	-	6,220,880	-	-	-
1,384,337	-	1,384,337	-	-	-
2,032,485	5,252,871	7,285,356	-	-	-
9,661,386	-	9,661,386	-	-	-
1,256,656	32,822	1,289,478	7,551	-	-
105,709	-	105,709	-	-	-
114,552	33,000	147,552	21,982	-	-
(3,173,334)	3,173,334	-	-	-	-
<u>41,637,123</u>	<u>8,492,027</u>	<u>50,129,150</u>	<u>423,036</u>	<u>-</u>	<u>-</u>
16,676,752	9,493,081	26,169,833	3,647,367	3,026,898	-
<u>175,226,020</u>	<u>94,187,572</u>	<u>269,413,592</u>	<u>13,817,458</u>	<u>1,545,665</u>	<u>-</u>
<u>\$ 191,902,772</u>	<u>103,680,653</u>	<u>295,583,425</u>	<u>17,464,825</u>	<u>4,572,563</u>	<u>-</u>

**Exhibit C**

City of Council Bluffs

Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue							Total
	General	City Insurance	Bass Pro	MACC 01-1 TIF	Debt Service	Capital Projects	Nonmajor	
<b>Assets</b>								
Cash and pooled investments	\$ 7,175,233	658,064	305,512	23,079	1,143,242	12,836,613	7,350,130	29,491,873
Receivables:								
Property tax:								
Delinquent	323,859	20,411	-	-	134,404	-	99,264	577,938
Succeeding year	14,489,000	3,509,000	-	-	5,872,000	-	4,478,000	28,348,000
Tax increment financing:								
Delinquent	-	-	-	20,262	-	-	8,958	29,220
Succeeding year	-	-	-	2,250,000	-	-	987,000	3,237,000
Accounts (net)	1,577,330	-	49,614	-	-	648,042	170,103	2,445,089
Special and drainage assessments	144,842	-	-	-	-	-	133,939	278,781
Accrued interest	6,197	-	939	-	-	-	1,170	8,306
Loans	-	-	-	-	-	-	734,320	734,320
Advance to other funds	2,533,648	-	-	-	-	-	-	2,533,648
Due from other funds	57,801	-	-	-	-	-	5,543	63,344
Due from other governments	863,064	-	-	-	-	3,998,978	919,029	5,781,071
Inventories	219,028	-	-	-	-	-	706,161	925,189
Prepaid insurance	282,830	-	-	-	-	-	-	282,830
Land held for resale	-	-	-	-	-	3,960,473	-	3,960,473
<b>Total assets</b>	<b>\$ 27,672,832</b>	<b>4,187,475</b>	<b>356,065</b>	<b>2,293,341</b>	<b>7,149,646</b>	<b>21,444,106</b>	<b>15,593,617</b>	<b>78,697,082</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 629,154	-	2,000	-	-	2,910,923	501,306	4,043,383
Salaries and benefits payable	1,144,440	-	-	-	-	-	134,047	1,278,487
Advance from other funds	-	-	-	2,533,648	-	-	-	2,533,648
Due to other funds	-	-	-	-	-	-	63,344	63,344
Due to other governments	334,882	-	-	-	-	357	5,946	341,185
Deferred revenue:								
Succeeding year property tax	14,489,000	3,509,000	-	-	5,872,000	-	4,478,000	28,348,000
Succeeding year tax increment financing	-	-	-	2,250,000	-	-	987,000	3,237,000
Other	960,726	20,144	-	-	35,308	3,659,538	170,680	4,846,396
Total liabilities	17,558,202	3,529,144	2,000	4,783,648	5,907,308	6,570,818	6,340,323	44,691,443
Fund balances:								
Reserved for:								
Encumbrances	27,480	-	-	-	-	75,000	845	103,325
Debt service	-	-	-	-	1,242,338	-	390,292	1,632,630
Capital projects	-	-	-	-	-	12,022,482	-	12,022,482
Advance to other funds	2,533,648	-	-	-	-	-	-	2,533,648
Cemetery care	-	-	-	-	-	-	59,105	59,105
Unreserved, reported in:								
General fund	7,553,502	-	-	-	-	-	-	7,553,502
Special revenue funds	-	658,331	354,065	(2,490,307)	-	-	8,803,052	7,325,141
Capital projects fund	-	-	-	-	-	2,775,806	-	2,775,806
Total fund balances	10,114,630	658,331	354,065	(2,490,307)	1,242,338	14,873,288	9,253,294	34,005,639
<b>Total liabilities and fund balances</b>	<b>\$ 27,672,832</b>	<b>4,187,475</b>	<b>356,065</b>	<b>2,293,341</b>	<b>7,149,646</b>	<b>21,444,106</b>	<b>15,593,617</b>	<b>78,697,082</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, 2007

**Total governmental fund balances (page 24)** \$ 34,005,639

***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 \$296,026,921 and the accumulated depreciation is \$68,621,452. 227,405,469

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 4,846,396

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. 2,272,426

Long-term liabilities, including bonds and notes payable, capital lease purchase agreement payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (76,627,158)

**Net assets of governmental activities (page 20)** \$ 191,902,772

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, 2007

	Special Revenue						Total	
	General	City Insurance	Bass Pro	MACC 01-1 TIF	Debt Service	Capital Projects		Nonmajor
<b>Revenues:</b>								
Property tax	\$ 15,305,205	3,682,879	-	-	6,222,038	-	5,023,035	30,233,157
Tax increment financing	-	-	-	298,565	-	-	1,085,772	1,384,337
Other city tax	8,406,736	320,203	-	-	523,933	-	2,469,199	11,720,071
Licenses and permits	3,499,814	-	-	-	-	-	10,450	3,510,264
Use of money and property	1,184,561	-	611,664	-	247,624	-	29,621	2,073,470
Intergovernmental	763,221	-	481,400	-	-	4,542,852	6,232,821	12,020,294
Charges for service	3,237,137	-	-	-	-	-	80,631	3,317,768
Special and drainage assessments	-	-	-	-	-	-	203,542	203,542
Miscellaneous	1,502,795	-	330,000	-	-	5,856,442	3,174,313	10,863,550
Total revenues	33,899,469	4,003,082	1,423,064	298,565	6,993,595	10,399,294	18,309,384	75,326,453
<b>Expenditures:</b>								
<b>Operating:</b>								
Public safety	23,503,961	-	-	-	-	-	506,483	24,010,444
Public works	1,110,563	-	-	-	-	-	5,715,689	6,826,252
Health and social services	481,973	-	-	-	-	-	6,129	488,102
Culture and recreation	5,076,961	-	-	-	-	-	272,313	5,349,274
Community and economic development	395,228	-	3,500	1,950	-	-	3,080,365	3,481,043
General government	8,233,367	-	-	-	-	-	1,193,270	9,426,637
<b>Debt service:</b>								
Principal redeemed	-	-	502,394	-	7,290,872	-	-	7,793,266
Interest paid	-	-	1,069,033	-	2,130,339	-	-	3,199,372
Miscellaneous debt expense	-	-	-	-	13,471	-	-	13,471
Capital projects	-	-	-	-	-	21,149,556	-	21,149,556
Total expenditures	38,802,053	-	1,574,927	1,950	9,434,682	21,149,556	10,774,249	81,737,417
Excess (deficiency) of revenues over (under) expenditures	(4,902,584)	4,003,082	(151,863)	296,615	(2,441,087)	(10,750,262)	7,535,135	(6,410,964)
<b>Other financing sources (uses):</b>								
General obligation bonds issued	-	-	-	-	85,537	11,029,463	-	11,115,000
Premium on general obligation bonds	-	-	-	-	-	139,475	-	139,475
Sale of capital assets	197,372	-	-	-	-	-	-	197,372
Capital lease purchase agreement	107,353	-	-	-	-	-	-	107,353
Operating transfers in	9,001,309	500,000	200,000	200,000	2,450,000	5,099,148	675,443	18,125,900
Operating transfers out	(2,014,213)	(4,316,341)	(46,370)	(1,150,000)	-	-	(7,399,081)	(14,926,005)
Total other financing sources (uses)	7,291,821	(3,816,341)	153,630	(950,000)	2,535,537	16,268,086	(6,723,638)	14,759,095
Net change in fund balances	2,389,237	186,741	1,767	(653,385)	94,450	5,517,824	811,497	8,348,131
Fund balances beginning of year	7,725,393	471,590	352,298	(1,836,922)	1,147,888	9,355,464	8,441,797	25,657,508
Fund balances end of year	\$ 10,114,630	658,331	354,065	(2,490,307)	1,242,338	14,873,288	9,253,294	34,005,639

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, 2007

**Net change in fund balances-total governmental funds (page 26)** \$ 8,348,131

**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	\$ 15,909,259	
Contributed assets	3,249,139	
Depreciation expense	(7,943,071)	11,215,327

In the Statement of Activities, the gain on the disposal of capital assets is reported, whereas the proceeds from the disposition increase financial resources in the governmental funds. (91,663)

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	(15,894)	
Other	2,323,100	2,307,206

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

Issued	(11,222,353)	
Repaid	7,837,781	
Capital contribution of debt assumed by governmental activities from business type activities	(532,700)	(3,917,272)

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	(176,726)	
Interest on long-term debt	11,917	(164,809)

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. (1,020,168)

**Change in net assets of governmental activities (page 23)** \$ 16,676,752

See notes to financial statements.

City of Council Bluffs  
Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Business Type Activities - Enterprise			Governmental
	Nonmajor -		Total	Activities
	Sewer	Refuse and Disposal		Internal Service
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 1,632,256	1,043,366	2,675,622	2,294,777
Receivables:				
Accounts	-	768,969	768,969	218,450
Customer accounts and unbilled usage	897,157	-	897,157	-
Accrued interest	3,484	-	3,484	4,428
Due from other governments	875,410	-	875,410	-
Inventories	156,682	16,613	173,295	-
Total current assets	3,564,989	1,828,948	5,393,937	2,517,655
Noncurrent assets:				
Capital assets, net of accumulated depreciation	97,348,841	2,800,264	100,149,105	-
<b>Total assets</b>	100,913,830	4,629,212	105,543,042	2,517,655
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	525,302	215,707	741,009	245,229
Salaries and benefits payable	143,611	32,107	175,718	-
Due to other governments	4,284	73	4,357	-
Unearned revenue	-	70,701	70,701	-
General obligation bonds	250,000	-	250,000	-
Capital lease purchase agreement	-	66,039	66,039	-
Compensated absences	172,970	35,311	208,281	-
Total current liabilities	1,096,167	419,938	1,516,105	245,229
Noncurrent liabilities:				
General obligation bonds	230,000	-	230,000	-
Capital lease purchase agreement	-	69,383	69,383	-
Compensated absences	38,627	8,274	46,901	-
Total noncurrent liabilities	268,627	77,657	346,284	-
<b>Total liabilities</b>	1,364,794	497,595	1,862,389	245,229
<b>Net Assets</b>				
Invested in capital assets, net of related debt	96,868,841	2,664,842	99,533,683	-
Unrestricted	2,680,195	1,466,775	4,146,970	2,272,426
<b>Total net assets</b>	\$ 99,549,036	4,131,617	103,680,653	2,272,426

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, 2007

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Operating revenues:				
Charges for service	\$ 5,367,315	3,074,280	8,441,595	6,787,042
Miscellaneous	47,945	384,703	432,648	184,044
Total operating revenues	5,415,260	3,458,983	8,874,243	6,971,086
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	3,858,140
Public works	-	-	-	883,910
Health and social services	-	-	-	93,042
Culture and recreation	-	-	-	694,654
Community and economic development	-	-	-	138,414
General government	-	-	-	1,338,479
Business type activities:				
Sewer system and sewage disposal	4,777,294	-	4,777,294	-
Refuse disposal	-	3,296,310	3,296,310	-
Depreciation	2,098,885	162,147	2,261,032	-
Insurance	-	-	-	1,059,935
Total operating expenses	6,876,179	3,458,457	10,334,636	8,066,574
Operating income (loss)	(1,460,919)	526	(1,460,393)	(1,095,488)
Nonoperating revenues (expenses):				
Local option sales tax	5,252,871	-	5,252,871	-
Interest income	32,822	-	32,822	75,320
State and federal grants	79,802	300	80,102	-
Miscellaneous	33,000	-	33,000	-
Interest expense	(143,000)	(3,846)	(146,846)	-
Loss on sale of capital assets	-	(19,040)	(19,040)	-
Total nonoperating revenues (expenses)	5,255,495	(22,586)	5,232,909	75,320
Net income (loss) before contributions and transfers	3,794,576	(22,060)	3,772,516	(1,020,168)
Contributions and transfers:				
Capital contributions	8,920,460	-	8,920,460	-
Transfers in	100,000	-	100,000	768,808
Transfers out	(3,299,895)	-	(3,299,895)	(768,808)
Total contributions and transfers	5,720,565	-	5,720,565	-
Change in net assets	9,515,141	(22,060)	9,493,081	(1,020,168)
Net assets beginning of year	90,033,895	4,153,677	94,187,572	3,292,594
Net assets end of year	\$ 99,549,036	4,131,617	103,680,653	2,272,426

See notes to financial statements.

**Exhibit I**

## City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,425,120	3,053,495	8,478,615	6,494,480
Cash received from other revenues	47,945	363,352	411,297	478,718
Cash paid for personal services	(3,532,017)	(765,915)	(4,297,932)	-
Cash paid to suppliers	(944,450)	(2,502,271)	(3,446,721)	(8,339,890)
Net cash provided (used) by operating activities	996,598	148,661	1,145,259	(1,366,692)
Cash flows from noncapital financing activities:				
Transfers from other funds	100,000	-	100,000	768,808
Transfers to other funds	(3,299,895)	-	(3,299,895)	(768,808)
Net cash used by noncapital financing activities	(3,199,895)	-	(3,199,895)	-
Cash flows from investing activities:				
Interest on investments	29,337	-	29,337	76,272
Cash flows from capital and related financing activities:				
Nonoperating grants received	-	300	300	-
Local option sales tax	5,456,251	-	5,456,251	-
Miscellaneous revenue	33,000	-	33,000	-
Acquisition of capital assets	(3,895,057)	(18,961)	(3,914,018)	-
Principal paid on general obligation bonds	(204,128)	-	(204,128)	-
Interest paid on general obligation bonds	(143,000)	-	(143,000)	-
Principal paid on capital lease purchase agreement	-	(66,978)	(66,978)	-
Interest paid on capital lease purchase agreement	-	(3,847)	(3,847)	-
Net cash provided (used) by capital and related financing activities	1,247,066	(89,486)	1,157,580	-
Net increase (decrease) in cash and cash equivalents	(926,894)	59,175	(867,719)	(1,290,420)
Cash and cash equivalents beginning of year	2,559,150	984,191	3,543,341	3,585,197
Cash and cash equivalents end of year	\$ 1,632,256	1,043,366	2,675,622	2,294,777

City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Internal Service Activities
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,460,919)	526	(1,460,393)	(1,095,488)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	2,098,885	162,147	2,261,032	-
(Increase) decrease in accounts receivable	-	(45,569)	(45,569)	2,112
Decrease in customer accounts receivable and unbilled usage	57,805	-	57,805	-
(Increase) in inventories	(73,343)	(895)	(74,238)	-
Increase (decrease) in accounts payable	314,742	11,549	326,291	(273,316)
Increase in salaries and benefits payable	28,958	5,824	34,782	-
Increase (decrease) in due to other governments	1,602	(88)	1,514	-
Increase in unearned revenue	-	3,432	3,432	-
Increase in compensated absences	28,868	11,735	40,603	-
Total adjustments	2,457,517	148,135	2,605,652	(271,204)
Net cash provided (used) by operating activities	\$ 996,598	148,661	1,145,259	(1,366,692)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, capital assets of \$5,840,529 and \$2,547,231 were contributed to the Sewer Fund by the Capital Projects Fund and developers, respectively. Also, during the year ended June 30, 2007, debt of \$532,700 was assumed by governmental activities from the Sewer Fund and business type activities. In accordance with U.S. generally accepted accounting principles, the contribution from the Capital Projects Fund and the debt assumption are recorded as transfers for both governmental activities and business type activities on the Statement of Activities.

During the year ended June 30, 2007, the City entered into a capital lease purchase agreement totaling \$202,400 to lease a tractor loader payable from the Refuse and Disposal Fund.

See notes to financial statements.

City of Council Bluffs  
Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	<u>Pension and Other Employee Benefit Trust</u>	<u>Agency</u>
<b>Assets</b>		
Cash and pooled investments	\$ 146,808	20,138
Receivables:		
Property tax:		
Delinquent	68,460	-
Succeeding year	104,000	-
Accounts	-	256
<b>Total assets</b>	<u>319,268</u>	<u>20,394</u>
<b>Liabilities</b>		
Accounts payable	62,644	-
Due to other governments	-	1,890
Trusts payable	-	18,504
Deferred revenue:		
Succeeding year property tax	104,000	-
Other	535	-
<b>Total liabilities</b>	<u>167,179</u>	<u>20,394</u>
<b>Net assets held in trust for employee benefits</b>	<u>\$ 152,089</u>	<u>-</u>

See notes to financial statements.

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

Year ended June 30, 2007

	<u>Pension and Other Employee Benefit Trust</u>
Additions:	
Property and other city tax	\$ 174,259
Miscellaneous	1,720
Total additions	<u>175,979</u>
Deductions:	
Benefits and refunds paid to plan members	<u>254,450</u>
Change in net assets held in trust for employee benefits	(78,471)
Net assets held in trust for employee benefits beginning of year	<u>230,560</u>
Net assets held in trust for employee benefits end of year	<u>\$ 152,089</u>

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2007

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

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

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

A. Reporting Entity

For financial reporting purposes, the City of Council Bluffs has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Discretely Presented Component Units

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

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

#### Jointly Governed Organization

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

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

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

### B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The Special Revenue, MACC 01-1 TIF 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 the Mid-American Recreation and Convention Complex (MACC) urban renewal development project.

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, 2007 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2006.

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 and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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, 2007. 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, 2007, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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, 2007 are as follows:

	Fair Value	Maturity
U.S. Treasury securities	\$ 255,435	November 2010
Repurchase agreements	<u>400,000</u>	July 2007
Total	<u>\$ 655,435</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,782,948 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation's investments at June 30, 2007 consist of mutual funds with a fair value of \$4,556,562.

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, 2007 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	\$ 14,278,440	1,902,521	-	16,180,961
Construction in progress - infrastructure	19,484,503	-	-	19,484,503
Construction in progress - other	3,794,874	14,230,128	(6,599,185)	11,425,817
Total capital assets not being depreciated	<u>37,557,817</u>	<u>16,132,649</u>	<u>(6,599,185)</u>	<u>47,091,281</u>
Capital assets being depreciated:				
Buildings	107,609,061	3,779,392	-	111,388,453
Improvements other than buildings	18,408,895	308,551	-	18,717,446
Equipment and vehicles	17,281,743	1,569,233	(875,645)	17,975,331
Infrastructure, road network and other	96,870,836	3,983,574	-	100,854,410
Total capital assets being depreciated	<u>240,170,535</u>	<u>9,640,750</u>	<u>(875,645)</u>	<u>248,935,640</u>
Less accumulated depreciation for:				
Buildings	9,122,875	2,527,240	-	11,650,115
Improvements other than buildings	6,018,931	916,268	-	6,935,199
Equipment and vehicles	10,841,051	1,268,138	(768,166)	11,341,023
Infrastructure, road network and other	35,463,690	3,231,425	-	38,695,115
Total accumulated depreciation	<u>61,446,547</u>	<u>7,943,071</u>	<u>(768,166)</u>	<u>68,621,452</u>
Total capital assets being depreciated, net	<u>178,723,988</u>	<u>1,697,679</u>	<u>(107,479)</u>	<u>180,314,188</u>
Governmental activities capital assets, net	<u>\$ 216,281,805</u>	<u>17,830,328</u>	<u>(6,706,664)</u>	<u>227,405,469</u>
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,272,252	-	-	6,272,252
Construction in progress	6,590,118	9,488,456	(7,097,721)	8,980,853
Total capital assets not being depreciated	<u>12,862,370</u>	<u>9,488,456</u>	<u>(7,097,721)</u>	<u>15,253,105</u>
Capital assets being depreciated:				
Buildings	20,046,091	-	-	20,046,091
Improvements other than buildings	698,663	264,867	-	963,530
Equipment and vehicles	11,341,405	347,602	(81,300)	11,607,707
Infrastructure, sewer network	74,418,454	9,380,086	-	83,798,540
Total capital assets being depreciated	<u>106,504,613</u>	<u>9,992,555</u>	<u>(81,300)</u>	<u>116,415,868</u>
Less accumulated depreciation for:				
Buildings	8,021,810	386,275	-	8,408,085
Improvements other than buildings	698,663	26,487	-	725,150
Equipment and vehicles	5,198,757	576,592	(28,760)	5,746,589
Infrastructure, sewer network	15,368,366	1,271,678	-	16,640,044
Total accumulated depreciation	<u>29,287,596</u>	<u>2,261,032</u>	<u>(28,760)</u>	<u>31,519,868</u>
Total capital assets being depreciated, net	<u>77,217,017</u>	<u>7,731,523</u>	<u>(52,540)</u>	<u>84,896,000</u>
Business type activities capital assets, net	<u>\$ 90,079,387</u>	<u>17,219,979</u>	<u>(7,150,261)</u>	<u>100,149,105</u>

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

Governmental activities:	
Public safety	\$ 760,103
Public works	3,520,731
Health and social services	8,449
Culture and recreation	1,339,876
Community and economic development	2,290,203
General government	<u>23,709</u>
Total depreciation expense - governmental activities	<u>\$ 7,943,071</u>
Business type activities:	
Sewer	\$ 2,098,885
Nonmajor enterprise fund - refuse and disposal	<u>162,147</u>
Total depreciation expense - business type activities	<u>\$ 2,261,032</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely presented component unit - Airport:</b>				
Capital assets not being depreciated:				
Land	\$ 163,064	-	-	163,064
Construction in progress	12,168,661	3,970,225	-	16,138,886
Total capital assets not being depreciated	<u>12,331,725</u>	<u>3,970,225</u>	-	<u>16,301,950</u>
Capital assets being depreciated:				
Buildings	2,465,117	-	-	2,465,117
Improvements other than buildings	1,042,591	-	-	1,042,591
Equipment and vehicles	190,655	29,488	-	220,143
Total capital assets being depreciated	<u>3,698,363</u>	<u>29,488</u>	-	<u>3,727,851</u>
Less accumulated depreciation for:				
Buildings	898,204	56,360	-	954,564
Improvements other than buildings	287,951	34,754	-	322,705
Equipment and vehicles	127,824	26,584	-	154,408
Total accumulated depreciation	<u>1,313,979</u>	<u>117,698</u>	-	<u>1,431,677</u>
Total capital assets being depreciated, net	<u>2,384,384</u>	<u>(88,210)</u>	-	<u>2,296,174</u>
Discretely presented component unit capital assets, net	<u>\$ 14,716,109</u>	<u>3,882,015</u>	-	<u>18,598,124</u>
Total depreciation expense - discretely presented component unit				<u>\$ 117,698</u>

**(4) Long-Term Liabilities**

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Adjustment*	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:						
General obligation bonds/notes	\$ 53,693,172	532,700	11,115,000	(7,290,872)	58,050,000	8,060,000
Urban renewal revenue capital loan note	16,757,423	-	-	(502,394)	16,255,029	527,544
Capital lease purchase agreement	67,844	-	107,353	(44,515)	130,682	40,993
Compensated absences	1,802,732	-	1,874,843	(1,698,117)	1,979,458	1,541,069
Total	\$ 72,321,171	532,700	13,097,196	(9,535,898)	76,415,169	10,169,606
Business type activities:						
General obligation bonds	\$ 1,216,828	(532,700)	-	(204,128)	480,000	250,000
Capital lease purchase agreement	-	-	202,400	(66,978)	135,422	66,039
Compensated absences	214,579	-	279,085	(238,482)	255,182	208,281
Total	\$ 1,431,407	(532,700)	481,485	(509,588)	870,604	524,320

\*Adjustment for capital contribution of debt assumed by governmental activities from business type activities.

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 \$58,050,000 at June 30, 2007. The portion of unmatured general obligation bonds expected to be repaid from proprietary fund revenues and accounted for in business type activities totaled \$480,000 at June 30, 2007. 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 17).

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

- (1) Bass Pro Shop lease rental payments,
- (2) Mortgage and Security Agreement, in favor of the holder of the note, granting a first lien on the project improvements and land,
- (3) County annual appropriation economic development grant,
- (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, 2007, principal payments of \$502,394 and interest payments of \$1,069,033 were made by the City.

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease a telephone system, three mowers and a tractor loader with historical costs of \$83,936, \$107,353 and \$202,400, respectively. The following is a schedule of the future minimum lease payments, including interest at 8.26%, 6.30%, and 4.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

Year Ending June 30,	Governmental Activities			Business Type
	Telephone System	Mowers	Total	Activities Tractor Loader
2008	\$ 20,548	29,346	49,894	70,825
2009	20,548	29,346	49,894	70,825
2010	18,822	29,345	48,167	-
Total minimum lease payments	59,918	88,037	147,955	141,650
Less interest	7,243	10,030	17,273	6,228
Present value of net minimum lease	\$ 52,675	78,007	130,682	135,422

Payments under the governmental and business type activities capital lease purchase agreements totaled \$49,893 and \$70,825, respectively, for the year ended June 30, 2007.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2007 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
General obligation bonds:						
Essential corporate purpose	Dec 1, 1991	5.000-7.000%	June 1, 2011	\$ 130,000-370,000	4,040,000	1,335,000
Essential corporate purpose	Jul 1, 2001	3.500-4.125	June 1, 2011	975,000-1,530,000	8,700,000	5,425,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	4,000,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,500,000
Essential corporate purpose	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	7,105,000
Corporate purpose	May 1, 2007	4.000	June 1, 2020	100,000-2,100,000	8,965,000	8,965,000
Essential corporate purpose	May 1, 2007	3.700-4.000	June 1, 2020	155,000-240,000	2,150,000	2,150,000
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	4,600,000
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	4,225,000
Essential corporate purpose	Apr 1, 2002	4.000-4.500	June 1, 2010	75,000-1,525,000	4,100,000	3,275,000
Total governmental activities						\$ 58,050,000

Details of the urban renewal revenue capital loan note payable at June 30, 2007 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
Capital loan note	Dec 15, 1991	5.270% *	Jan 15, 2011	\$ 502,394-14,579,299	17,000,000	<u>\$ 16,255,029</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
2008	8,060,000	2,301,096	10,361,096	527,544	901,206	1,428,750
2009	8,615,000	1,938,940	10,553,940	558,793	696,353	1,255,146
2010	8,440,000	1,567,765	10,007,765	589,393	685,483	1,274,876
2011	6,155,000	1,289,555	7,444,555	14,579,299	339,640	14,918,939
2012	4,325,000	1,026,163	1,026,163			
2013-2017	17,110,000	2,881,306	2,881,306	-	-	-
2018-2020	5,345,000	366,798	366,798	-	-	-
Total	<u>\$ 58,050,000</u>	<u>11,371,624</u>	<u>69,421,624</u>	<u>16,255,029</u>	<u>2,622,682</u>	<u>18,877,711</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, 2007 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
General obligation bonds:						
Essential corporate purpose	May 17, 2005	3.500-4.000%	June 1, 2019	\$230,000-250,000	480,000	<u>\$ 480,000</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
2008	\$ 250,000	143,000	393,000
2009	230,000	134,250	364,250
2010	-	112,450	112,450
Total	<u>\$ 480,000</u>	<u>389,700</u>	<u>869,700</u>

At June 30, 2007, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 2,904,239,718</u>
Debt limit – 5% of total actual valuation	\$ 145,211,956
Less debt applicable to debt limit:	
General obligation debt outstanding	58,530,000
Capital lease purchase agreement	130,682
Tax increment indebtedness	<u>28,474,648</u>
Legal debt margin	<u>\$ 58,076,656</u>

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	City Insurance	\$ 4,023,258
	Bass Pro	46,370
	Nonmajor	4,931,681
		<u>9,001,309</u>
Special Revenue:		
City Insurance	General	<u>500,000</u>
Bass Pro	Special Revenue:	
	MACC 01-1 TIF	<u>200,000</u>
MACC 01-1 TIF	General	<u>200,000</u>
Debt Service	Special Revenue:	
	MACC 01-1 TIF	950,000
	Enterprise:	
	Sewer	1,500,000
		<u>2,450,000</u>
Capital Projects	General	1,014,213
	Special Revenue:	
	Nonmajor	2,285,040
	Enterprise:	
	Sewer	1,799,895
		<u>5,099,148</u>
Special Revenue:		
Nonmajor	General	200,000
	Special Revenue:	
	City Insurance	293,083
	Nonmajor	182,360
		<u>675,443</u>
Enterprise:		
Sewer	General	<u>100,000</u>
Internal Service:	Internal Service:	
Iowa Governmental Health Care Plan	Self Insurance	<u>768,808</u>
Total		<u>\$ 18,994,708</u>

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

**(6) Interfund Assets/Liabilities**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Road Use Tax	\$ 57,801
Special Revenue: Workers Compensation	Unemployment Compensation	5,543
Total		<u>\$ 63,344</u>

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

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue: MACC 01-1 TIF	<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.

**(7) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$671,573, \$639,504 and \$634,887, 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, 2007, 2006 and 2005 were \$3,255,926, \$3,156,215 and \$2,735,684, respectively, which met the required minimum contributions for each year.

#### **(8) Transit Authority Agreement**

The City has contracted for transit service on a regular, scheduled basis over certain routes within the City. The contract provides the City shall pay the net operating cost of service over these routes within the City. During the year ended June 30, 2007, the City paid \$615,963 under this contract.

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

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

#### **(10) Industrial Development Revenue Bonds**

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

#### **(11) Employee Health Insurance Plan**

The 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, 2007 was \$5,335,854.

Amounts payable from the Self Insurance Fund at June 30, 2007 total \$168,000, 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, 2006	\$ 468,156
Incurred claims (including claims incurred but not reported as of June 30, 2007)	6,231,322
Payments on claims	<u>(6,531,478)</u>
Unpaid claims as of June 30, 2007	<u>\$ 168,000</u>

**(12) Deficit Fund Balances**

The Special Revenue, MACC 01-1 TIF and Unemployment Compensation Funds had deficit fund balances of \$2,490,307 and \$5,384, respectively, at June 30, 2007. The deficit balances will be eliminated through the future collection of property tax and tax increment financing receipts.

**(13) Construction Commitments**

Construction commitments at June 30, 2007 totaled \$15,327,600 which will be paid as work on the projects progresses. These projects will be funded through general obligation notes, grants and local funds on hand.

**(14) Risk Management**

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

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

During the year ended June 30, 1977, the City received funding for an individual housing rehabilitation loan program from the U.S. Department of Housing and Urban Development. These funds were subsequently loaned to individuals in the City. The loans receivable and loan payments received from the individuals are accounted for in the Special Revenue, CDBG Grant Fund. The Special Revenue, CDBG Installment Loan Escrow Fund receives a portion of loan payments for payment of property tax and insurance. Active loans during the year ended June 30, 2007 carry an interest rate of 3% per annum and have terms ranging from 10 to 20 years. At June 30, 2007, there were 77 active loans with a total outstanding principal balance of \$734,320, which is included in loans receivable in these financial statements.

**(16) Urban Renewal Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$53,628,667. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2007, the City rebated \$1,058,806 of incremental tax to developers, which included \$934,736 for principal and \$124,069 for interest. The total cumulative principal amount rebated on the agreements is \$2,309,212. The outstanding balance on the agreements at June 30, 2007 was \$51,319,455.

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.

**(17) Economic Development Agreements**

Mid-American Recreation & Convention Complex

On July 24, 2001, the City entered into an agreement with the Council Bluffs Community Betterment Foundation, the Iowa West Foundation (IWF), the Southwest Iowa Foundation and Harvey's Casino Resorts to develop a project known as the Mid-American Recreation & Convention Complex. As part of this agreement, the City has agreed to dedicate certain excess hotel/motel receipts, up to a maximum of \$5,000,000, to reimburse the IWF for some of the project costs. Excess hotel/motel collections are those remaining after the City has satisfied certain other commitments of these funds. The City's obligation under this agreement will expire at the earliest of December 31, 2015 or when the IWF has been fully reimbursed. During the year ended June 30, 2007, the City did not make any payments to the IWF pursuant to this agreement.

Bass Pro Outdoor World, L.L.C

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

During the year ended June 30, 2007, the City paid \$200,000 into this fund as part of its obligation under the economic development agreement.

**City of Council Bluffs**

**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, 2007

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Receipts:			
Property tax	\$ 30,266,813	-	30,266,813
Tax increment financing	1,366,274	-	1,366,274
Other city tax	11,621,129	5,456,251	17,077,380
Licenses and permits	3,133,532	-	3,133,532
Use of money and property	2,081,445	37,337	2,118,782
Intergovernmental	11,854,821	300	11,855,121
Charges for service	3,479,397	8,447,776	11,927,173
Special and drainage assessments	203,940	-	203,940
Miscellaneous	10,385,105	467,134	10,852,239
Total receipts	<u>74,392,456</u>	<u>14,408,798</u>	<u>88,801,254</u>
Disbursements:			
Public safety	23,886,873	-	23,886,873
Public works	6,398,288	-	6,398,288
Health and social services	487,022	-	487,022
Culture and recreation	5,181,532	-	5,181,532
Community and economic development	3,471,101	-	3,471,101
General government	9,269,867	-	9,269,867
Debt service	11,407,915	-	11,407,915
Capital projects	22,709,313	-	22,709,313
Business type activities	-	11,729,494	11,729,494
Total disbursements	<u>82,811,911</u>	<u>11,729,494</u>	<u>94,541,405</u>
Excess (deficiency) of receipts over (under) disbursements	(8,419,455)	2,679,304	(5,740,151)
Other financing sources (uses), net	14,977,533	(3,547,023)	11,430,510
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,558,078	(867,719)	5,690,359
Balance beginning of year	22,933,795	3,543,341	26,477,136
Balance end of year	<u>\$ 29,491,873</u>	<u>2,675,622</u>	<u>32,167,495</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
30,078,974	30,078,974	187,839
1,407,000	1,407,000	(40,726)
17,660,138	17,660,138	(582,758)
1,149,850	1,149,850	1,983,682
672,520	1,756,520	362,262
20,881,357	22,864,357	(11,009,236)
11,485,600	11,485,600	441,573
101,499	101,499	102,441
12,758,281	13,088,281	(2,236,042)
96,195,219	99,592,219	(10,790,965)
24,136,684	24,136,684	249,811
8,700,979	10,100,979	3,702,691
616,281	616,281	129,259
4,698,893	4,998,893	(182,639)
5,483,443	5,483,443	2,012,342
7,081,403	7,381,403	(1,888,464)
9,451,526	11,051,526	(356,389)
30,996,500	31,096,500	8,387,187
12,168,993	12,668,993	939,499
103,334,702	107,534,702	12,993,297
(7,139,483)	(7,942,483)	2,202,332
4,800,000	12,137,068	(706,558)
(2,339,483)	4,194,585	1,495,774
19,522,367	25,732,454	744,682
17,182,884	29,927,039	2,240,456

City of Council Bluffs  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 74,392,456	933,997	75,326,453
Expenditures	82,811,911	(1,074,494)	81,737,417
Net	(8,419,455)	2,008,491	(6,410,964)
Other financing sources (uses)	14,977,533	(218,438)	14,759,095
Beginning fund balances	22,933,795	2,723,713	25,657,508
Ending fund balances	<u>\$ 29,491,873</u>	<u>4,513,766</u>	<u>34,005,639</u>
	Enterprise Funds		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 14,408,798	8,784,700	23,193,498
Expenses	11,729,494	(1,228,972)	10,500,522
Net	2,679,304	10,013,672	12,692,976
Other financing sources (uses)	(3,547,023)	347,128	(3,199,895)
Beginning net assets	3,543,341	90,644,231	94,187,572
Ending net assets	<u>\$ 2,675,622</u>	<u>101,005,031</u>	<u>103,680,653</u>

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$4,200,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements in the culture and recreation, general government and debt service functions exceeded the amounts budgeted.

**City of Council Bluffs**

**Other Supplementary Information**

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
<b>Assets</b>				
Cash and pooled investments	\$ 1,929,798	-	71,614	138,700
Receivables:				
Property tax:				
Delinquent	-	9,459	-	-
Succeeding year	-	414,000	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	805	-	-	-
Special and drainage assessments	529	-	-	-
Accrued interest	-	-	-	-
Loans	-	-	734,320	-
Due from other funds	-	-	-	-
Due from other governments	468,853	-	93,521	-
Inventories	706,161	-	-	-
<b>Total assets</b>	<b>\$ 3,106,146</b>	<b>423,459</b>	<b>899,455</b>	<b>138,700</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 70,156	-	40,850	-
Salaries and benefits payable	113,792	-	19,217	-
Due to other funds	57,801	-	-	-
Due to other governments	2,001	-	3,742	-
Deferred revenue:				
Succeeding year property tax	-	414,000	-	-
Succeeding year tax increment financing	-	-	-	-
Other	451	2,401	-	-
Total liabilities	244,201	416,401	63,809	-
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	2,861,945	7,058	835,646	138,700
Total fund balances	2,861,945	7,058	835,646	138,700
<b>Total liabilities and fund balances</b>	<b>\$ 3,106,146</b>	<b>423,459</b>	<b>899,455</b>	<b>138,700</b>

Special Revenue						
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment
22,196	38,375	2,473,359	392,065	21,953	-	764,558
-	-	-	51,770	2,770	205	35,060
-	-	-	1,004,000	402,000	15,000	2,643,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,543	-	-
-	-	341,970	-	-	-	-
-	-	-	-	-	-	-
22,196	38,375	2,815,329	1,447,835	432,266	15,205	3,442,618
-	-	309,257	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	5,543	-
-	-	-	-	-	-	-
-	-	-	1,004,000	402,000	15,000	2,643,000
-	-	-	-	-	-	-
-	-	-	5,870	1,157	46	17,609
-	-	309,257	1,009,870	403,157	20,589	2,660,609
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,196	38,375	2,506,072	437,965	29,109	(5,384)	782,009
22,196	38,375	2,506,072	437,965	29,109	(5,384)	782,009
22,196	38,375	2,815,329	1,447,835	432,266	15,205	3,442,618

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Drainage Districts			
	Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
<b>Assets</b>				
Cash and pooled investments	34,982	79,576	195,879	43,416
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	46,751	29,436	45,130	-
Accrued interest	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
<b>Total assets</b>	<b>81,733</b>	<b>109,012</b>	<b>241,009</b>	<b>43,416</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	1,125	-	107	5,464
Salaries and benefits payable	346	346	346	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Other	46,481	28,910	42,941	-
Total liabilities	47,952	29,256	43,394	5,464
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	33,781	79,756	197,615	37,952
Total fund balances	33,781	79,756	197,615	37,952
<b>Total liabilities and fund balances</b>	<b>81,733</b>	<b>109,012</b>	<b>241,009</b>	<b>43,416</b>

Special Revenue					
East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Bennet Avenue TIF	Featherstone TIF	South 24th South Omaha Bridge Road TIF
869	82,448	262,928	3,482	-	30,996
-	-	-	-	-	-
-	-	-	-	-	-
365	6,189	2,404	-	-	-
45,000	282,000	62,000	234,000	67,000	99,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
46,234	370,637	327,332	237,482	67,000	129,996
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45,000	282,000	62,000	234,000	67,000	99,000
-	-	-	-	-	-
45,000	282,000	62,000	234,000	67,000	99,000
-	-	-	-	-	-
1,234	88,637	265,332	3,482	-	30,996
-	-	-	-	-	-
-	-	-	-	-	-
1,234	88,637	265,332	3,482	-	30,996
46,234	370,637	327,332	237,482	67,000	129,996

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue			
	Manawa Business TIF	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment
<b>Assets</b>				
Cash and pooled investments	611	25,586	215,250	123,904
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	198,000	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	-	-	-	-
Accrued interest	-	82	691	397
Loans	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
<b>Total assets</b>	<b>198,611</b>	<b>25,668</b>	<b>215,941</b>	<b>124,301</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	3,356	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	198,000	-	-	-
Other	-	-	-	-
Total liabilities	198,000	-	3,356	-
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Debt service	611	-	-	-
Endowments	-	-	-	-
Unreserved	-	25,668	212,585	124,301
Total fund balances	611	25,668	212,585	124,301
<b>Total liabilities and fund balances</b>	<b>198,611</b>	<b>25,668</b>	<b>215,941</b>	<b>124,301</b>

See accompanying independent auditor's report.

4th Street Parking Garage Investment	Miscel- laneous	Police Cash Property Management	Total	Permanent Fairview Cemetery Perpetual Care	Total
255,435	78,891	4,154	7,291,025	59,105	7,350,130
-	-	-	99,264	-	99,264
-	-	-	4,478,000	-	4,478,000
-	-	-	-	-	-
-	-	-	8,958	-	8,958
-	-	-	987,000	-	987,000
-	169,298	-	170,103	-	170,103
-	12,093	-	133,939	-	133,939
-	-	-	1,170	-	1,170
-	-	-	734,320	-	734,320
-	-	-	5,543	-	5,543
-	14,685	-	919,029	-	919,029
-	-	-	706,161	-	706,161
255,435	274,967	4,154	15,534,512	59,105	15,593,617
-	66,891	4,100	501,306	-	501,306
-	-	-	134,047	-	134,047
-	-	-	63,344	-	63,344
-	203	-	5,946	-	5,946
-	-	-	-	-	-
-	-	-	4,478,000	-	4,478,000
-	-	-	987,000	-	987,000
-	24,814	-	170,680	-	170,680
-	91,908	4,100	6,340,323	-	6,340,323
-	845	-	845	-	845
-	-	-	390,292	-	390,292
-	-	-	-	59,105	59,105
255,435	182,214	54	8,803,052	-	8,803,052
255,435	183,059	54	9,194,189	59,105	9,253,294
255,435	274,967	4,154	15,534,512	59,105	15,593,617

City of Council Bluffs

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

Year ended June 30, 2007

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
Revenues:				
Property tax	\$ -	446,067	-	-
Tax increment financing	-	-	-	-
Other city tax	-	38,441	-	-
Licenses and permits	10,450	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	4,878,242	-	914,490	80,000
Charges for service	40,472	-	14,410	-
Special and drainage assessments	-	-	-	-
Miscellaneous	192,596	-	231,641	90,000
Total revenues	5,121,760	484,508	1,160,541	170,000
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	4,074,929	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	1,088,738	75,000
General government	747,711	-	-	-
Total expenditures	4,822,640	-	1,088,738	75,000
Excess (deficiency) of revenues over (under) expenditures	299,120	484,508	71,803	95,000
Other financing sources (uses):				
Operating transfers in	675,443	-	-	-
Operating transfers out	-	(484,013)	-	-
Total other financing sources (uses)	675,443	(484,013)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	974,563	495	71,803	95,000
Fund balances beginning of year	1,887,382	6,563	763,843	43,700
Fund balances end of year	\$ 2,861,945	7,058	835,646	138,700

Special Revenue						
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment
-	-	-	1,118,925	213,067	8,452	3,236,524
-	-	-	-	-	-	-
-	-	2,032,485	100,071	18,336	719	279,147
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
94,953	27,790	869,193	-	-	-	-
94,953	27,790	2,901,678	1,218,996	231,403	9,171	3,515,671
-	25,955	-	-	-	-	-
-	-	1,640,760	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
70,442	-	-	-	-	-	-
-	-	-	-	-	-	-
70,442	25,955	1,640,760	-	-	-	-
24,511	1,835	1,260,918	1,218,996	231,403	9,171	3,515,671
-	-	-	-	-	-	-
-	-	(2,180,466)	(1,101,146)	(256,860)	(16,096)	(3,255,926)
-	-	(2,180,466)	(1,101,146)	(256,860)	(16,096)	(3,255,926)
24,511	1,835	(919,548)	117,850	(25,457)	(6,925)	259,745
(2,315)	36,540	3,425,620	320,115	54,566	1,541	522,264
22,196	38,375	2,506,072	437,965	29,109	(5,384)	782,009

City of Council Bluffs

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

Year ended June 30, 2007

	Drainage Districts			
	Mosquito Creek #22	Sieck #32	West	Lake
			Lewis #35	Manawa SSMID
Revenues:				
Property tax	-	-	-	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special and drainage assessments	37,853	28,844	44,170	92,675
Miscellaneous	-	-	-	-
Total revenues	37,853	28,844	44,170	92,675
Expenditures:				
Operating:				
Public safety	53,639	45,302	40,014	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	45,044
General government	-	-	-	-
Total expenditures	53,639	45,302	40,014	45,044
Excess (deficiency) of revenues over (under) expenditures	(15,786)	(16,458)	4,156	47,631
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,786)	(16,458)	4,156	47,631
Fund balances beginning of year	49,567	96,214	193,459	(9,679)
Fund balances end of year	33,781	79,756	197,615	37,952

Special Revenue					
East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Bennet Avenue TIF	Featherstone TIF	South 24th South Omaha Bridge Road TIF
-	-	-	-	-	-
47,636	299,968	70,462	248,417	70,460	160,209
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,800	-	-	-	-
47,636	304,768	70,462	248,417	70,460	160,209
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
51,031	303,200	67,140	248,196	71,385	140,514
-	-	-	-	-	-
51,031	303,200	67,140	248,196	71,385	140,514
(3,395)	1,568	3,322	221	(925)	19,695
-	-	-	-	-	-
-	(27,797)	(20,776)	-	-	-
-	(27,797)	(20,776)	-	-	-
(3,395)	(26,229)	(17,454)	221	(925)	19,695
4,629	114,866	282,786	3,261	925	11,301
1,234	88,637	265,332	3,482	-	30,996

City of Council Bluffs

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

Year ended June 30, 2007

	Special Revenue			
	Manawa Business TIF	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment
Revenues:				
Property tax	-	-	-	-
Tax increment financing	188,620	-	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	1,292	8,939	5,554
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special and drainage assessments	-	-	-	-
Miscellaneous	320,477	32	160,539	-
Total revenues	509,097	1,324	169,478	5,554
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	130,467	-
Community and economic development	508,486	-	-	-
General government	-	-	-	-
Total expenditures	508,486	-	130,467	-
Excess (deficiency) of revenues over (under) expenditures	611	1,324	39,011	5,554
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	611	1,324	39,011	5,554
Fund balances beginning of year	-	24,344	173,574	118,747
Fund balances end of year	611	25,668	212,585	124,301

See accompanying independent auditor's report.

				Permanent	
4th Street Parking Garage Investment	Miscel- laneous	Police Cash Property Management	Total	Fairview Cemetery Perpetual Care	Total
-	-	-	5,023,035	-	5,023,035
-	-	-	1,085,772	-	1,085,772
-	-	-	2,469,199	-	2,469,199
-	-	-	10,450	-	10,450
13,836	-	-	29,621	-	29,621
-	360,089	-	6,232,821	-	6,232,821
-	10,864	14,885	80,631	-	80,631
-	-	-	203,542	-	203,542
-	1,182,292	-	3,174,313	-	3,174,313
13,836	1,553,245	14,885	18,309,384	-	18,309,384
-	326,742	14,831	506,483	-	506,483
-	-	-	5,715,689	-	5,715,689
-	6,129	-	6,129	-	6,129
-	141,846	-	272,313	-	272,313
-	411,189	-	3,080,365	-	3,080,365
-	445,559	-	1,193,270	-	1,193,270
-	1,331,465	14,831	10,774,249	-	10,774,249
13,836	221,780	54	7,535,135	-	7,535,135
-	-	-	675,443	-	675,443
-	(56,001)	-	(7,399,081)	-	(7,399,081)
-	(56,001)	-	(6,723,638)	-	(6,723,638)
13,836	165,779	54	811,497	-	811,497
241,599	17,280	-	8,382,692	59,105	8,441,797
255,435	183,059	54	9,194,189	59,105	9,253,294

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

June 30, 2007

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 531,009	186,294	481,935
Accounts receivable	-	-	-
Accrued interest	-	-	1,548
	531,009	186,294	483,483
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	-	46,373
	-	-	46,373
<b>Net Assets</b>			
Unrestricted	\$ 531,009	186,294	437,110
	531,009	186,294	437,110

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
896,684	155,105	43,750	2,294,777
218,450	-	-	218,450
2,880	-	-	4,428
1,118,014	155,105	43,750	2,517,655
168,000	12,121	18,735	245,229
950,014	142,984	25,015	2,272,426

City of Council Bluffs

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

Year ended June 30, 2007

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Self Insurance	Workers' Compensation Self Insurance
Operating revenues:				
Charges for service:				
Reimbursements from operating funds	\$ 82,647	150,000	-	299,292
Reimbursements from retired employees	-	-	-	-
Reimbursements from current employees	-	-	-	-
	82,647	150,000	-	299,292
Miscellaneous	-	-	103,283	80,498
Total operating revenues	82,647	150,000	103,283	379,790
Operating expenses:				
Governmental activities:				
Public safety	-	-	58,339	24,537
Public works	-	140,825	10,137	157,923
Health and social services	-	-	1,455	9,026
Culture and recreation	-	-	5,155	111,550
Community and economic development	-	-	2,337	3,513
General government	-	-	9,778	56,749
Business type activities	-	-	15,292	177,164
Total operating expenses	-	140,825	102,493	540,462
Operating income (loss)	82,647	9,175	790	(160,672)
Nonoperating revenues:				
Interest income	-	-	33,029	25,166
Net income (loss) before transfers	82,647	9,175	33,819	(135,506)
Transfers:				
Transfers in	-	-	-	-
Transfers out	-	-	(768,808)	-
Total transfers	-	-	(768,808)	-
Net assets beginning of year	448,362	177,119	734,989	572,616
Net assets end of year	\$ 531,009	186,294	-	437,110

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,335,854	108,972	93,000	6,069,765
288,450	-	-	288,450
428,827	-	-	428,827
6,053,131	108,972	93,000	6,787,042
-	-	263	184,044
6,053,131	108,972	93,263	6,971,086
3,309,443	465,821	-	3,858,140
575,025	-	-	883,910
82,561	-	-	93,042
292,454	-	285,495	694,654
132,564	-	-	138,414
1,271,952	-	-	1,338,479
867,479	-	-	1,059,935
6,531,478	465,821	285,495	8,066,574
(478,347)	(356,849)	(192,232)	(1,095,488)
17,125	-	-	75,320
(461,222)	(356,849)	(192,232)	(1,020,168)
768,808	-	-	768,808
-	-	-	(768,808)
768,808	-	-	-
642,428	499,833	217,247	3,292,594
950,014	142,984	25,015	2,272,426

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

Year ended June 30, 2007

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Self Insurance
Cash flows from operating activities:			
Cash received from customers and users	\$ 82,647	150,000	-
Cash received from other sources	-	-	109,507
Cash paid to suppliers	-	(140,825)	(570,649)
Net cash provided by (used for) operating activities	<u>82,647</u>	<u>9,175</u>	<u>(461,142)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	(768,808)
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(768,808)</u>
Cash flows from investing activities:			
Interest on investments	-	-	36,646
Net increase (decrease) in cash and cash equivalents	<u>82,647</u>	<u>9,175</u>	<u>(1,193,304)</u>
Cash and cash equivalents beginning of year	<u>448,362</u>	<u>177,119</u>	<u>1,193,304</u>
Cash and cash equivalents end of year	<u>\$ 531,009</u>	<u>186,294</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ 82,647</u>	<u>9,175</u>	<u>790</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	-	-	6,224
Increase (decrease) in accounts payable	-	-	(468,156)
Total adjustments	<u>-</u>	<u>-</u>	<u>(461,932)</u>
Net cash provided by (used for) operating activities	<u>\$ 82,647</u>	<u>9,175</u>	<u>(461,142)</u>

See accompanying independent auditor's report.

Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
299,292	5,760,569	108,972	93,000	6,494,480
80,498	288,450	-	263	478,718
(509,233)	(6,368,318)	(467,865)	(283,000)	(8,339,890)
(129,443)	(319,299)	(358,893)	(189,737)	(1,366,692)
-	768,808	-	-	768,808
-	-	-	-	(768,808)
-	768,808	-	-	-
25,381	14,245	-	-	76,272
(104,062)	463,754	(358,893)	(189,737)	(1,290,420)
585,997	432,930	513,998	233,487	3,585,197
481,935	896,684	155,105	43,750	2,294,777
(160,672)	(478,347)	(356,849)	(192,232)	(1,095,488)
-	(4,112)	-	-	2,112
31,229	163,160	(2,044)	2,495	(273,316)
31,229	159,048	(2,044)	2,495	(271,204)
(129,443)	(319,299)	(358,893)	(189,737)	(1,366,692)

**Schedule 6**

## City of Council Bluffs

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

June 30, 2007

	Firemen's Pension	411 Benefits	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,569	144,239	146,808
Property tax:			
Delinquent	61,002	7,458	68,460
Succeeding year	10,000	94,000	104,000
<b>Total assets</b>	<b>73,571</b>	<b>245,697</b>	<b>319,268</b>
<b>Liabilities</b>			
Accounts payable	-	62,644	62,644
Deferred revenue:			
Succeeding year property tax	10,000	94,000	104,000
Other	63	472	535
<b>Total liabilities</b>	<b>10,063</b>	<b>157,116</b>	<b>167,179</b>
<b>Net assets held in trust for employee benefits</b>	<b>\$ 63,508</b>	<b>88,581</b>	<b>152,089</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, 2007

	Firemen's Pension	411 Benefits	Total
Additions:			
Property tax	\$ 72,548	93,226	165,774
Other city tax:			
Utility replacement excise tax	1,007	7,478	8,485
	73,555	100,704	174,259
Miscellaneous	-	1,720	1,720
Total additions	73,555	102,424	175,979
Deductions:			
Benefits and refunds paid to plan members	11,509	242,941	254,450
Change in net assets held in trust for employee benefits	62,046	(140,517)	(78,471)
Net assets held in trust for employee benefits beginning of year	1,462	229,098	230,560
Net assets held in trust for employee benefits end of year	\$ 63,508	88,581	152,089

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, 2007

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
<b>Assets</b>				
Cash and pooled investments	\$ 10,000	10,000	138	20,138
Accounts receivable	-	-	256	256
<b>Total assets</b>	<b>\$ 10,000</b>	<b>10,000</b>	<b>394</b>	<b>20,394</b>
<b>Liabilities</b>				
Liabilities:				
Due to other governments	\$ -	1,890	-	1,890
Trusts payable	10,000	8,110	394	18,504
<b>Total liabilities</b>	<b>\$ 10,000</b>	<b>10,000</b>	<b>394</b>	<b>20,394</b>

See accompanying independent auditor's report.

## City of Council Bluffs

Combining Schedule of Changes in Trusts Payable  
Agency Funds

Year ended June 30, 2007

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
Additions:				
Trusts received	\$ 121,075	482,469	6,163	609,707
Deductions:				
Agency remittances:				
Trusts paid out	113,595	474,359	6,150	594,104
Change in net assets	7,480	8,110	13	15,603
Balances beginning of year	2,520	-	381	2,901
Balances end of year	\$ 10,000	8,110	394	18,504

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 Five Years

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

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-06-MC-19-0005	\$ 914,490
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-04-SP-IA-0259	74,756
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-05-NI-IA-0006	255,717
			<u>330,473</u>
U.S. Department of the Treasury:			
Community Prosecution and Project Safe Neighborhoods	16.609	03-SD06	46,975
U.S. Environmental Protection Agency:			
Brownfields Assessment Grant	66.818	BF-98763701-0	101,642
Brownfields Assessment Grant	66.818	BF-98763801-0	135,192
			<u>236,834</u>
Total direct			<u>1,528,772</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	125,000
U.S. Department of Justice:			
Governor's Office of Drug Control Policy: Byrne Formula Grant Program	16.579	06JAG-A01	77,799
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1642(644)--70-78	6,558,474
Highway Planning and Construction	20.205	HES-U-1642(647)--8X-78	30,769
Highway Planning and Construction	20.205	407-U-STEP-006	100,198
Highway Planning and Construction	20.205	HDP-1642(645)71-78	103,990
			<u>6,793,431</u>
Metro Area Transit of Omaha, Nebraska:			
Federal Transit - Formula Grants	20.507	FY06	119,112
Iowa Department of Transportation:			
Elderly and Persons with Disabilities Project	20.513	16-X001-164-06	17,379
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-163, Task17	16,452
State and Community Highway Safety	20.600	PAP 07-163, Task18	9,199
State and Community Highway Safety	20.600	PAP 07-02, Task02	33,216
State and Community Highway Safety	20.600	PAP 06-04, Task 06	2,790
			<u>61,657</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Surveys, Studies, Investigations, Demonstrations and special purpose activities relating to the environment	66.034		2,441

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Performance Partnership Grants	66.605		1,494
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5886AP07	10,909
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5887AP05	13,995
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5887AP21	13,074
			<u>37,978</u>
Immunization Grants	93.268	5886I420	6,442
Immunization Grants	93.268	5887I420	37,151
			<u>43,593</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2007-ELC08	840
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2007-TB01	2,954
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2008-ELC08	280
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886EHC3	1,833
			<u>5,907</u>
Visiting Nurses Association of Pottawattamie County:			
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	FY07	533
Total for CFDA number 93.283			<u>6,440</u>
Iowa Department of Public Health:			
Preventive Health and Health Services Block Grant	93.991	MOU-2006-TB16	3,000
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management Division:			
Pre-Disaster Mitigation	97.017	PDMC-2005-78-1	120,879
Public Assistance Grants	97.036	FEMA-3275-DR1A	67,076
Public Assistance Grants	97.036	FEMA-1705-DR1A	73,629
			<u>140,705</u>
City of Atlantic Fusion Center:			
Homeland Security Grant Program	97.067	FY04-LETTPP-LEIN-4-04	75,020
Total indirect			<u>7,625,928</u>
Total			<u>\$ 9,154,700</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 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Council Bluffs' internal control over financial reporting 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 a deficiency in internal control over financial reporting we consider to be a significant deficiency.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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-07 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, 2007 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

March 3, 2008

**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**

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Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Council Bluffs, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. 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, 2007.

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

March 3, 2008

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was 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 14.251 – Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants
  - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Council Bluffs did not qualify as a low-risk auditee.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

**SIGNIFICANT DEFICIENCY:**

II-A-07 Financial Reporting – During the audit, we identified material amounts of receipts, disbursements, receivables, payables and capital asset additions misclassified by category or function or 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 revenue expenditures, disbursements, receivables, payables and capital asset additions are properly identified, classified and included in the City’s financial statements.

Response – The City will take corrective measures in the future to ensure revenues, expenditures, receivables, payables, and capital assets are properly recorded and reported in the financial statements.

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, 2007

**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, 2007

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

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation, general government and debt service 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 will monitor this more closely in the future and will amend the budget as required, if necessary.

Conclusion – Response accepted.

IV-B-07 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-07 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, the list of approved bills was not always published timely in accordance with Chapter 372.13(6) of the Code of Iowa. Also, the list of approved bills did not include the purpose of the claim.

Recommendation – The City should comply with Chapter 372.13 of the Code of Iowa and should timely publish the list of approved bills, including the purpose of the claim.

Response – The City Clerk will take corrective measures to timely publish the list of approved bills with the council minutes.

Conclusion – Response accepted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-G-07 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-07 Financial Condition – At June 30, 2007, the following funds had deficit balances:

Fund	June 30, 2007 Balance
Special Revenue:	
MACC 01-1 TIF	\$ (2,490,307)
Unemployment Compensation	(5,384)

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

Response – Property taxes budgeted for fiscal year ending 2008 will eliminate the negative balance for the Unemployment Compensation Fund and the negative balance in MACC 01-1 TIF will decrease through future collection of tax increment financing revenues.

Conclusion – Response accepted.

IV-I-07 Annual Financial Report – The City's annual financial report was prepared and filed timely for the year ended June 30, 2007. However, the report contained material errors and amounts which could not be substantiated.

Recommendation – The annual financial report should be amended to correct material errors and the amounts reported should be substantiated.

Response – The annual financial report has been amended to correct the material errors. The City will take corrective measures in the future to properly substantiate amounts reported.

Conclusion – Response accepted.

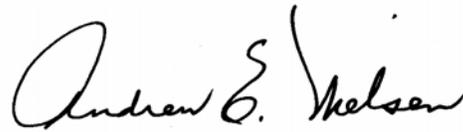
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City of Council Bluffs

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Paul F. Kearney, CGFM, Senior Auditor  
Tiffany A. Gossweiler, Staff Auditor  
Michael J. Hackett, Staff Auditor  
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Keith C. Kistenmacher, Assistant Auditor  
Jenny M. Podrebarac, Assistant Auditor  
Delynne M. Kroeger, Assistant Auditor  
Matt R. Ritchey, 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