

**CITY OF COUNCIL BLUFFS**

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

**JUNE 30, 2009**

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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
Darren Bates	Council Member	Jan 2010
Lynne Branigan	Council Member	Jan 2012
Matthew Schultz	Council Member	Jan 2012
Matt Walsh	Council Member	Jan 2012
Cindy Lynch	Personnel Director	Indefinite
Arthur W. Hill	Finance Director	Indefinite
Judith Ridgeley	City Clerk	(Resigned April 2009)
Marcy Worden (Appointed August 2009)	City Clerk	Indefinite
Debra Miller	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit, which represent 86.9 percent, 85.1 percent and 100 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Council Bluffs Airport Authority, is based solely upon the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2010 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, Budgetary Comparison Information and Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans on pages 7 through 17 and 62 through 67 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 2, 2010, except for Schedule 10,  
as to which the date is December 21, 2010.

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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, 2009. 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, 2009 by \$345,567,045. Of this amount, \$4,552,316 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$32,885,995 during the year. The net assets associated with governmental activities increased \$23,931,713 and the net assets associated with business type activities increased \$8,954,282.
- The City's overall long-term liabilities decreased to \$64,564,620, a decrease of \$1,057,262 during the year. The general obligation bond portion of indebtedness decreased \$1,990,000.

### **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 which further explains and supports the financial statements with a comparison of the City's budget for the year and Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans.

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 the police, fire, public works and parks departments and general administration. Property tax, user fees and state and federal grants finance most of these activities.
- Business Type Activities – The City charges fees to customers to cover the cost of these services. Included here are the City's sewer, solid waste and recycling activities.
- Component Units – These are operations which 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.

## 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 which is 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, 2009 and 2008.

	Governmental		Business		Total	
	Activities		Type			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 86,801,476	85,095,882	10,688,279	8,005,688	97,489,755	93,101,570
Capital assets	257,370,532	234,379,042	107,592,837	101,498,501	364,963,369	335,877,543
Total assets	344,172,008	319,474,924	118,281,116	109,504,189	462,453,124	428,979,113
Long-term liabilities	64,287,859	65,578,151	276,761	43,731	64,564,620	65,621,882
Other liabilities	51,275,044	49,219,381	1,046,415	1,456,800	52,321,459	50,676,181
Total liabilities	115,562,903	114,797,532	1,323,176	1,500,531	116,886,079	116,298,063
Net assets:						
Invested in capital assets, net of related debt	212,224,136	191,101,228	107,488,837	101,199,118	319,712,973	292,300,346
Restricted	21,301,756	18,082,904	-	-	21,301,756	18,082,904
Unrestricted	(4,916,787)	(4,506,740)	9,469,103	6,804,540	4,552,316	2,297,800
Total net assets	\$ 228,609,105	204,677,392	116,957,940	108,003,658	345,567,045	312,681,050

Net assets of governmental activities increased over FY 2008 approximately \$23.9 million, or 11.7%. Net assets of business type activities increased over FY 2008 approximately \$ 9.0 million, or 8.3%. Capital assets of governmental activities increased approximately \$23.0 million, or 9.8%, over fiscal 2008, primarily due to the completion of the Bob Kerrey Pedestrian Bridge connecting the cities of Council Bluffs, Iowa and Omaha, Nebraska. The City also acquired equipment and vehicles for the public safety function. Capital assets of business type activities increased approximately \$6.1 million, or 6.0%, over FY 2008, primarily due to an increase in sewer and storm infrastructure and a sewer treatment plant rehabilitation project. Long term liabilities of governmental activities decreased \$1,290,292, or 2.0%, from FY 2008, primarily due to the issuance of \$9,600,000 of general obligation bonds netted against repayments of \$11,918,793 of general obligation bonds/notes and the urban renewal revenue capital loan note.

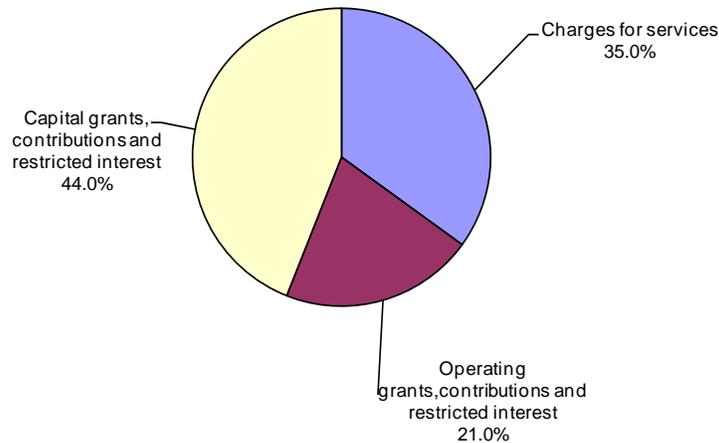
The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased \$3,218,852, or 17.8%, over FY 2008. This increase is primarily due to an increase in amounts restricted for local option sales tax purposes.

Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$4.5 million. This is an increase of approximately \$2.3 million over the prior year unrestricted net assets, which were approximately \$2.3 million one year ago. This increase is primarily due to an increase in unrestricted assets related to business type activities. Capital contributions for assets contributed from governmental activities were approximately \$7.7 million in FY 2009 and only approximately \$2.1 million in FY 2008.

	Governmental		Business Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	\$ 9,808,087	10,261,397	9,916,075	9,095,912	19,724,162	19,357,309
Operating grants, contributions and restricted interest	11,473,259	11,214,539	369,002	144,871	11,842,261	11,359,410
Capital grants, contributions and restricted interest	22,074,207	9,544,137	2,732,966	-	24,807,173	9,544,137
General revenues:						
Property tax levied for:						
General purposes	26,464,281	25,273,906	-	-	26,464,281	25,273,906
Debt service	6,804,838	6,584,767	-	-	6,804,838	6,584,767
Tax increment financing	4,983,734	3,548,580	-	-	4,983,734	3,548,580
Local option sales tax	3,540,379	3,814,009	4,646,303	3,492,325	8,186,682	7,306,334
Other city tax	9,637,154	9,537,314	-	-	9,637,154	9,537,314
Unrestricted investment earnings	733,812	771,465	49,787	66,324	783,599	837,789
Gain on disposition of capital assets	-	26,093	2,445	1,672,794	2,445	1,698,887
Miscellaneous	132,778	58,645	82,562	133,170	215,340	191,815
Total revenues	95,652,529	80,634,852	17,799,140	14,605,396	113,451,669	95,240,248
Program expenses:						
Public safety	25,796,311	23,825,855	-	-	25,796,311	23,825,855
Public works	11,071,569	13,486,989	-	-	11,071,569	13,486,989
Health and social services	563,295	561,859	-	-	563,295	561,859
Culture and recreation	9,504,036	7,748,286	-	-	9,504,036	7,748,286
Community and economic development	7,514,563	7,531,592	-	-	7,514,563	7,531,592
General government	10,555,074	10,914,762	-	-	10,555,074	10,914,762
Interest on long-term debt	2,611,834	3,110,714	-	-	2,611,834	3,110,714
Sewer	-	-	8,560,437	7,220,114	8,560,437	7,220,114
Refuse and disposal	-	-	4,386,055	3,742,452	4,386,055	3,742,452
Other	-	-	2,500	-	2,500	-
Total expenses	67,616,682	67,180,057	12,948,992	10,962,566	80,565,674	78,142,623
Excess of revenues over expenses	28,035,847	13,454,795	4,850,148	3,642,830	32,885,995	17,097,625
Operating transfers, net	(4,104,134)	(680,175)	4,104,134	680,175	-	-
Change in net assets	23,931,713	12,774,620	8,954,282	4,323,005	32,885,995	17,097,625
Net assets, beginning of year	204,677,392	191,902,772	108,003,658	103,680,653	312,681,050	295,583,425
Net assets end of year	\$ 228,609,105	204,677,392	116,957,940	108,003,658	345,567,045	312,681,050

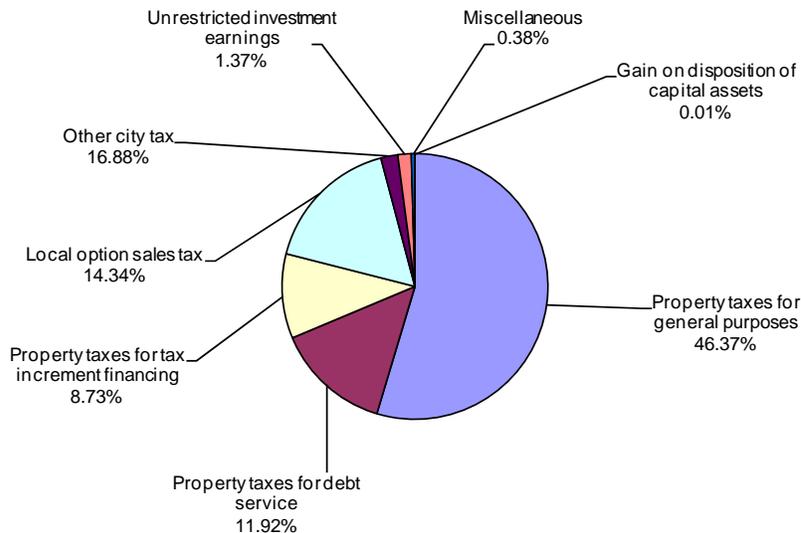
Total revenues reported for the primary government for the year ended June 30, 2009 were \$113,451,669. Program revenues totaled \$56,373,596 for the year ended June 30, 2009. Governmental activities provided \$43,355,553 and business type activities provided \$13,018,043. Revenue from charges for service during FY 2009 was \$19,724,162, accounting for 35.0% of the total program revenues. The following charts break down program revenues by source:

**FY09 Program Revenues**



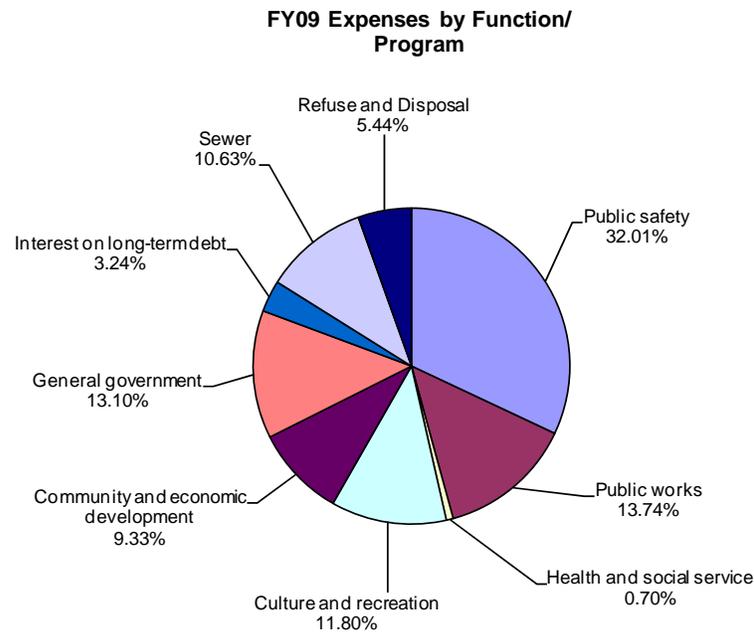
General revenues for the year ended June 30, 2009 totaled \$57,078,073. Governmental activities provided \$52,296,976 and business type activities provided \$4,781,097. Property tax revenues for FY 2009 totaled \$33,269,119, accounting for 58.3% of general revenues. The following chart illustrates general revenues by source:

**FY09 General Revenues**



Overall revenues increased approximately \$18.2 million, or 19.1%, over FY 2008. The increase is primarily the result of an increase of approximately \$15.3 million in capital grants, contributions and restricted interest, combined with small growth in other types of program and general revenue. Unrestricted investment earnings decreased, but not as significantly as expected due to investment choices made prior to the precipitous decline in rates during the fourth quarter of 2008. Unrestricted investment earnings dropped only 6.5% from FY 2008.

Expenses for the primary government for the year ended June 30, 2009 totaled \$80,565,674. Expenses for governmental activities totaled \$67,616,682, accounting for 83.9% of total expenses. Business type activities expenses totaled \$12,948,992, or 16.1% of the total. The following chart breaks down expenses by function/program:



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

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

Expenses increased overall \$2.4 million, or 3.1%, over FY 2008. The City budgets and records expenses based on cost centers. The increase in expenses is due to increased costs in public safety and culture and recreation activities. Costs totaling approximately \$1.4 million related to arboreal cleanup arising from a June 2008 windstorm is the major reason for increased expenses. Portions of these costs may be recovered from federal and state agencies in FY 2010.

## Governmental Activities

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format which 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 \$25,796,311 and received \$3,699,913 in revenue, leaving a cost to taxpayers of \$22,096,398, an increase of 14.8% over FY 2008, to be funded by various methods. This format identifies how much each function draws from general revenues or is self-sustaining through fees or grants.

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

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

The total cost of governmental activities this year was \$67,616,682. Of these costs, \$9,808,087 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations which subsidized certain programs with operating and capital grants and contributions were \$33,547,466, leaving a net expense of \$24,261,129 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 for governmental activities is as follows:

<b>Governmental activities</b>	Net (Expense) Revenue and Changes in Net Assets	
	2009	2008
Function/Program:		
Public safety	\$ (22,096,398)	(19,255,917)
Public works	17,864,848	339,185
Health and social services	(414,113)	(316,995)
Culture and recreation	(6,780,723)	(5,219,103)
Community and economic development	(3,361,634)	(2,032,245)
General government	(6,902,056)	(6,950,435)
Interest on long-term debt	(2,571,053)	(2,724,474)
Net (expense) revenue of governmental activities	(24,261,129)	(36,159,984)
General revenues and transfers	48,192,842	48,934,604
Change in net assets	\$ 23,931,713	12,774,620

Resources available during the year to finance governmental activities totaled \$296,225,787, consisting of net assets at July 1, 2008 of \$204,677,392, program revenues of \$43,355,553 and general revenues and transfers of \$48,192,842. During the year, governmental activities expenses totaled \$67,616,682. Governmental activities net assets increased \$23,931,713 to \$228,609,105.

## Business Type Activities

The cost of all business type activities for the year was \$12,948,992 as shown in the Statement of Activities. The amount charged to the users of the systems was \$9,916,075 and \$3,101,968 was funded from grants and contributions. Net revenue for business type activities was \$69,051. The net (expense) revenue by business type activity for the years ended June 30, 2009 and 2008 is as follows:

<b>Business Type Activities</b>	Net (Expense) Revenue and Changes in Net Assets	
	2009	2008
Sewer	\$ (328,566)	(1,583,371)
Refuse and disposal	371,901	(138,412)
Other nonmajor	25,716	-
Total net (expense) revenue	69,051	(1,721,783)
General revenues and transfers	8,885,231	6,044,788
Change in net assets	\$ 8,954,282	4,323,005

Resources available during the year to finance business type activities totaled \$129,906,932, consisting of net assets at July 1, 2008 of \$108,003,658, program revenues of \$13,018,043 and general revenues and transfers of \$8,885,231. During the year, business type activities expenses totaled \$12,948,992 and business type activities net assets increased \$8,954,282.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### GOVERNMENTAL FUND HIGHLIGHTS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balances may serve as a useful measure of net resources available for spending at the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$41,707,547. The combined governmental fund balances increased \$388,679 over the prior year.

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

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

- The General Fund balance decreased \$821,322, or 7.4%, from the prior year. Revenues increased \$1,608,746, or 4.8%. Increases were reported in property tax, charges for service and intergovernmental charges. These gains were reduced by small declines in other taxes (gaming) and interest earnings.

Expenditures increased \$2,427,272, or 6.1%, over the prior year. All functional areas except general government increased; public safety (up 3.4%), public works (up 27.6%), health and social services (up 3.2%), culture and recreation (up 34.6%), community and economic development (up 4.1%) and general government (down 5.7%). Public works costs rose over the prior year as the City undertook an aggressive street overlay plan. Overlay and street maintenance supply costs exceeded prior year amounts by \$597,000 as a result of this investment in City streets. Culture and recreation expenses grew as the result of a windstorm that took place June 27, 2008. Costs to remove and repair

damaged trees exceeded \$1.4 million and was recorded as expense to the forestry cost center in the General Fund. Claims for reimbursement have been filed with appropriate state and federal agencies. Reimbursement amounts will be credited to the General Fund.

- The Special Revenue, Bass Pro Fund balance decreased \$521,499, or 75.2%. Revenues decreased \$1,241,303, primarily due to the absence of the need to seek funding from the Iowa West Foundation. Required contractual City contributions to the fund, reflected as transfers in, remained unchanged. This net decrease was supplemented by a \$387,676 decrease in expenditures.
- The Special Revenue, Tax Increment Financing Fund balance increased \$1,164,485 due to an increase in tax increment financing revenue.
- The Debt Service Fund balance decreased \$543,056, or 43.1%, from the prior year. While revenues remained fairly constant, expenditures for repayment of debt increased \$795,442.
- The Capital Projects Fund balance decreased \$2,373,623, or 15.1%, from the prior year. The decrease is a result of undertaking and completing capital projects financed by bonds and funding received in FY 2008 and earlier.

#### **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 2009 with a \$112,542,424 net asset balance compared to the prior year ending net asset balance of \$104,008,204, an increase of \$8,534,220, or 8.2%. The increase is primarily due to a \$7.73 million contribution of capital assets from governmental activities and developers. While operating revenues and expenses remained fairly constant, operating expenses exceeded revenues in FY 2009 and the city staff is reviewing possible changes to sewer rates.
- The Refuse and Disposal Fund ended June 30, 2009 with a \$4,389,800 net asset balance compared to the prior year's ending net asset balance of \$3,995,454, an increase of \$394,346, or 9.9%.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was made to include higher costs in culture and recreation for landscaping and forestry costs arising from the June 2008 windstorms, public works for the costs of infrastructure improvements, community and economic development for increased costs of grant disbursements, debt service for the call of bonds and related costs and public safety for the increased employee benefit costs of both active and retired police and firefighters. These costs are offset by increased budgeted receipts to the debt service fund for bond re-financing.

The City's receipts were \$311,543 less than budgeted receipts, a variance of merely 0.3%.

Overall, total disbursements were \$10,210,925 less than the revised budgeted amounts. Actual disbursements were lower than the revised budget amounts in all nine categories.

Even without the amendment, the City would have been under budget for total expenditures by \$3,169,225, or 3.1%, for the year ended June 30, 2009.

The City is currently in the process of developing an operating budget for the fiscal year ending 2010 that will plan to have revenue exceed expenses for all 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, 2009 were \$364,963,369 (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 are the Bob Kerrey Pedestrian Bridge, the Fleet Maintenance Facility, Fire Training Facility and various street and sewer extension projects including, but not limited to, the Broadway Streetscape.

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

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

Construction in progress at June 30, 2009 includes the Valley View Drive extension, the South 24<sup>th</sup> Street – I-80 to 23<sup>rd</sup> Street extension and the College Road expansion. These projects are funded with local option sales tax revenue, debt proceeds, federal and state grants and local private grants and donations.

### **Long-term Debt**

At June 30, 2009, the City had \$55.845 million in general obligation bonds and notes outstanding versus \$57.835 million last year. The City's general obligation bonds continue to carry an A1 rating as assigned by Moody's Investor Services. Assignment of this rating reflects the City's continued moderate tax base growth, sound financial operations and rapid debt retirement. The City continues to operate well under the State debt capacity limitation. The State limits the amount of general obligation debt outstanding to 5% of the assessed value of all taxable property in the community. Bond proceeds will fund equipment and various capital improvements in the City.

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

## **ECONOMIC FACTORS**

The City's operating tax base (taxable property valuation) has grown on average 4.9% annually from January of 1999 to January of 2009. Meanwhile, the labor-intensive operational costs typically rise between 3% to 7% annually. City officials continue to take a practical approach to future staffing costs. Some local industries have experienced difficulty, including gaming. Gaming tax revenue was lower than the prior year and the budget in FY 2009 and is expected to be lower in FY 2010 as well, but the decline in revenue will be offset by gains in local option sales tax revenue arising from expansion of the City's retail centers and shifts in spending patterns. Despite recent declines, gaming and tourism remain material economic factors, comprising nearly 6% to 7% of the City's taxable valuation and continue to be among the top five employers in the city.

Local option sales tax revenue continues to be strong at about \$8.2 million in FY 2009. Revenue is expected to increase due to the opening of new retail establishments.

Another indication of improving economics is the increase in hotel/motel tax collections, which are averaging between \$2.3 million and \$2.4 million annually.

Google has completed the initial phase of its Council Bluffs development 200,000 sq. ft. data center project in Council Bluffs. This phase of the project created 200 high quality jobs.

Two new retail centers have opened in FY 2009. Approximately 800,000 sq. ft. of retail space has recently been added to the community, resulting in maintaining levels of sales tax revenue rather than experiencing declines as so many other states and local communities experienced in FY 2008 and 2009.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Arthur W. Hill, CPA, City Finance Director at 712-328-4685.

**City of Council Bluffs**

## **Basic Financial Statements**

City of Council Bluffs  
Statement of Net Assets

June 30, 2009

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 39,627,121	7,649,061	47,276,182
Receivables:			
Property tax:			
Delinquent	740,091	-	740,091
Succeeding year	32,445,000	-	32,445,000
Tax increment financing:			
Delinquent	55,181	-	55,181
Succeeding year	3,107,000	-	3,107,000
Accounts (net of \$105,000 allowance for uncollectible accounts in the General Fund)	2,777,157	1,286,237	4,063,394
Special and drainage assessments	265,121	-	265,121
Customer accounts and unbilled usage	-	853,991	853,991
Accrued interest	77,960	-	77,960
Loans	704,409	-	704,409
Internal balances	(17,878)	17,878	-
Due from other governments	3,844,887	587,145	4,432,032
Inventories	1,326,070	293,967	1,620,037
Prepaid insurance	278,040	-	278,040
Total current assets	<u>85,230,159</u>	<u>10,688,279</u>	<u>95,918,438</u>
Noncurrent assets:			
Note receivable	750,000	-	750,000
Land held for resale	821,317	-	821,317
Capital assets (net of accumulated depreciation)	257,370,532	107,592,837	364,963,369
Bond issuance costs	-	-	-
Total noncurrent assets	<u>258,941,849</u>	<u>107,592,837</u>	<u>366,534,686</u>
<b>Total assets</b>	<u>344,172,008</u>	<u>118,281,116</u>	<u>462,453,124</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,976,348	540,639	3,516,987
Salaries and benefits payable	1,661,479	209,948	1,871,427
Accrued interest payable	183,130	-	183,130
Due to other governments	110,704	2,847	113,551
Deferred revenue:			
Succeeding year property tax	32,445,000	-	32,445,000
Succeeding year tax increment financing	3,107,000	-	3,107,000
Unearned revenue	110,242	77,242	187,484
Current portion due within one year:			
General obligation bonds/notes	8,285,000	-	8,285,000
Revenue bonds	-	-	-
Urban renewal revenue capital loan note	589,393	-	589,393
Capital lease purchase agreements	115,728	-	115,728
Loan	15,000	26,000	41,000
Compensated absences	1,676,020	189,739	1,865,759
Total current liabilities	<u>51,275,044</u>	<u>1,046,415</u>	<u>52,321,459</u>
Noncurrent liabilities:			
General obligation bonds/notes	47,560,000	-	47,560,000
Revenue bonds	-	-	-
Urban renewal revenue capital loan note	14,579,299	-	14,579,299
Capital lease purchase agreements	138,106	-	138,106
Loan	720,000	78,000	798,000
Compensated absences	571,141	89,774	660,915
Net OPEB liability	463,737	70,263	534,000
Net pension liability	255,576	38,724	294,300
Total noncurrent liabilities	<u>64,287,859</u>	<u>276,761</u>	<u>64,564,620</u>
<b>Total liabilities</b>	<u>115,562,903</u>	<u>1,323,176</u>	<u>116,886,079</u>

Component Units	
Airport Authority	Library Foundation
622,860	3,731,648
23,548	-
-	-
-	-
-	-
28,732	-
-	-
-	-
-	-
-	-
1,358,538	-
-	-
32,284	-
<u>2,065,962</u>	<u>3,731,648</u>
-	-
-	-
22,630,729	-
41,142	-
<u>22,671,871</u>	<u>-</u>
<u>24,737,833</u>	<u>3,731,648</u>
421,630	-
6,253	-
11,538	-
-	-
-	-
-	-
4,410	-
-	-
130,000	-
-	-
-	-
-	-
<u>573,831</u>	<u>-</u>
-	-
2,895,000	-
-	-
-	-
-	-
-	-
-	-
<u>2,895,000</u>	<u>-</u>
<u>3,468,831</u>	<u>-</u>

City of Council Bluffs  
Statement of Net Assets  
June 30, 2009

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	212,224,136	107,488,837	319,712,973
Restricted for:			
Nonexpendable:			
Permanent fund	59,920	-	59,920
Expendable:			
Local option sales tax	7,351,986	-	7,351,986
Streets	3,696,935	-	3,696,935
Debt service	563,029	-	563,029
Capital projects	2,134,005	-	2,134,005
Library	-	-	-
Other purposes	7,495,881	-	7,495,881
Unrestricted	(4,916,787)	9,469,103	4,552,316
<b>Total net assets</b>	<b>\$ 228,609,105</b>	<b>116,957,940</b>	<b>345,567,045</b>

See notes to financial statements.

Component Units	
Airport Authority	Library Foundation
19,605,729	-
-	-
-	-
-	-
-	-
-	3,731,648
-	-
1,663,273	-
<u>21,269,002</u>	<u>3,731,648</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2009

	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	\$ 25,796,311	3,059,464	386,496	253,953
Public works	11,071,569	927,074	8,263,703	19,745,640
Health and social services	563,295	51,734	97,448	-
Culture and recreation	9,504,036	1,467,869	441,382	814,062
Community and economic development	7,514,563	853,071	2,039,306	1,260,552
General government	10,555,074	3,448,875	204,143	-
Interest on long-term debt	2,611,834	-	40,781	-
Total governmental activities	67,616,682	9,808,087	11,473,259	22,074,207
Business type activities:				
Sewer	8,560,437	5,292,190	206,715	2,732,966
Refuse and disposal	4,386,055	4,595,669	162,287	-
Nonmajor	2,500	28,216	-	-
Total business type activities	12,948,992	9,916,075	369,002	2,732,966
Total primary government	\$ 80,565,674	19,724,162	11,842,261	24,807,173
<b>Component Units:</b>				
Airport Authority	\$ 1,036,087	102,692	-	2,509,535
Library Foundation	40,804	-	16,660	-
Total component units	\$ 1,076,891	102,692	16,660	2,509,535
<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 (loss)				
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	
(22,096,398)	-	(22,096,398)	-	-	
17,864,848	-	17,864,848	-	-	
(414,113)	-	(414,113)	-	-	
(6,780,723)	-	(6,780,723)	-	-	
(3,361,634)	-	(3,361,634)	-	-	
(6,902,056)	-	(6,902,056)	-	-	
(2,571,053)	-	(2,571,053)	-	-	
(24,261,129)	-	(24,261,129)	-	-	
-	(328,566)	(328,566)	-	-	
-	371,901	371,901	-	-	
-	25,716	25,716	-	-	
-	69,051	69,051	-	-	
(24,261,129)	69,051	(24,192,078)	-	-	
-	-	-	1,576,140	-	
-	-	-	-	(24,144)	
-	-	-	1,576,140	(24,144)	
26,464,281	-	26,464,281	532,334	-	
6,804,838	-	6,804,838	-	-	
4,983,734	-	4,983,734	-	-	
3,540,379	4,646,303	8,186,682	-	-	
9,637,154	-	9,637,154	-	-	
733,812	49,787	783,599	31,421	556,219	
-	2,445	2,445	-	-	
132,778	82,562	215,340	41,673	-	
(4,104,134)	4,104,134	-	-	-	
48,192,842	8,885,231	57,078,073	605,428	556,219	
23,931,713	8,954,282	32,885,995	2,181,568	(580,363)	
204,677,392	108,003,658	312,681,050	19,087,434	4,312,011	
\$ 228,609,105	116,957,940	345,567,045	21,269,002	3,731,648	

**Exhibit C**

City of Council Bluffs

Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue							
	General	Bass Pro	Tax		Debt Service	Capital Projects	Nonmajor	Total
			Increment Financing					
<b>Assets</b>								
Cash and pooled investments	\$ 6,618,631	120,808	1,469,415	599,265	12,920,293	15,577,312	37,305,724	
Receivables:								
Property tax:								
Delinquent	389,457	-	-	146,894	-	203,740	740,091	
Succeeding year	16,945,000	-	-	6,520,000	-	8,980,000	32,445,000	
Tax increment financing:								
Delinquent	-	-	55,181	-	-	-	55,181	
Succeeding year	-	-	3,107,000	-	-	-	3,107,000	
Accounts (net)	1,596,691	52,943	22,702	-	780,123	72,005	2,524,464	
Special and drainage assessments	132,639	-	-	-	-	132,482	265,121	
Accrued interest	77,960	-	-	-	-	-	77,960	
Loans	-	-	-	-	-	704,409	704,409	
Note	-	-	-	-	-	750,000	750,000	
Advance to other funds	2,533,648	-	-	-	-	-	2,533,648	
Due from other funds	583,976	-	-	-	-	64,127	648,103	
Due from other governments	1,846,363	-	7,927	-	501,651	1,488,946	3,844,887	
Inventories	241,046	-	-	-	-	1,085,024	1,326,070	
Prepaid insurance	278,040	-	-	-	-	-	278,040	
Land held for resale	-	-	-	-	821,317	-	821,317	
<b>Total assets</b>	<b>\$ 31,243,451</b>	<b>173,751</b>	<b>4,662,225</b>	<b>7,266,159</b>	<b>15,023,384</b>	<b>29,058,045</b>	<b>87,427,015</b>	
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 557,906	2,000	-	-	1,224,289	403,936	2,188,131	
Salaries and benefits payable	1,493,821	-	-	-	-	167,658	1,661,479	
Advance from other funds	-	-	2,533,648	-	-	-	2,533,648	
Due to other funds	-	-	-	-	-	665,981	665,981	
Due to other governments	107,810	-	-	-	2,231	663	110,704	
Deferred revenue:								
Succeeding year property tax	16,945,000	-	-	6,520,000	-	8,980,000	32,445,000	
Succeeding year tax increment financing	-	-	3,107,000	-	-	-	3,107,000	
Other	1,885,055	-	-	29,754	482,923	609,793	3,007,525	
Total liabilities	20,989,592	2,000	5,640,648	6,549,754	1,709,443	10,828,031	45,719,468	
Fund balances:								
Reserved for:								
Encumbrances	9,442	-	-	-	10,105	94,956	114,503	
Debt service	-	-	-	716,405	-	-	716,405	
Capital projects	-	-	-	-	11,662,859	-	11,662,859	
Advance to other funds	2,533,648	-	-	-	-	-	2,533,648	
Loans and note receivable	-	-	-	-	-	1,454,409	1,454,409	
Cemetery care	-	-	-	-	-	59,920	59,920	
Unreserved, reported in:								
General fund	7,710,769	-	-	-	-	-	7,710,769	
Special revenue funds	-	171,751	(978,423)	-	-	16,620,729	15,814,057	
Capital projects fund	-	-	-	-	1,640,977	-	1,640,977	
Total fund balances	10,253,859	171,751	(978,423)	716,405	13,313,941	18,230,014	41,707,547	
<b>Total liabilities and fund balances</b>	<b>\$ 31,243,451</b>	<b>173,751</b>	<b>4,662,225</b>	<b>7,266,159</b>	<b>15,023,384</b>	<b>29,058,045</b>	<b>87,427,015</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, 2009

**Total governmental fund balances (page 26)** \$ 41,707,547

***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 \$342,589,175 and the accumulated depreciation is \$85,218,643. 257,370,532

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 2,897,283

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. 1,785,873

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements payable, loan payable, net OPEB liability, net pension liability, 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. (75,152,130)

**Net assets of governmental activities (page 22)** \$ 228,609,105

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, 2009

	Special Revenue						Total
	General	Bass Pro	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	
Revenues:							
Property tax	\$ 17,479,539	-	-	6,816,478	-	9,012,367	33,308,384
Tax increment financing	-	-	4,983,734	-	-	-	4,983,734
Other city tax	8,087,445	-	78,005	640,294	-	4,397,969	13,203,713
Licenses and permits	3,303,574	-	-	-	-	41,985	3,345,559
Use of money and property	707,108	640,666	-	40,781	7,700	26,136	1,422,391
Intergovernmental	1,107,101	192,560	-	-	1,830,313	7,563,892	10,693,866
Charges for service	3,739,410	-	-	-	-	87,615	3,827,025
Special and drainage assessments	-	-	-	-	-	220,241	220,241
Miscellaneous	1,048,263	-	2,250	-	2,983,691	2,284,892	6,319,096
Total revenues	35,472,440	833,226	5,063,989	7,497,553	4,821,704	23,635,097	77,324,009
Expenditures:							
Operating:							
Public safety	24,693,440	-	-	-	-	106,655	24,800,095
Public works	1,481,194	-	-	-	-	5,493,175	6,974,369
Health and social services	512,395	-	-	-	-	3,405	515,800
Culture and recreation	6,806,205	-	-	-	-	374,107	7,180,312
Community and economic development	486,120	1,119,837	1,019,607	-	-	2,555,769	5,181,333
General government	8,163,024	-	-	-	-	983,210	9,146,234
Debt service:							
Principal redeemed	-	558,793	-	8,960,000	-	-	9,518,793
Interest paid	-	427,296	-	2,177,180	-	-	2,604,476
Miscellaneous debt expense	-	-	-	24,157	-	-	24,157
Capital projects	-	-	-	-	17,882,471	1,334,130	19,216,601
Total expenditures	42,142,378	2,105,926	1,019,607	11,161,337	17,882,471	10,850,451	85,162,170
Excess (deficiency) of revenues over (under) expenditures	(6,669,938)	(1,272,700)	4,044,382	(3,663,784)	(13,060,767)	12,784,646	(7,838,161)
Other financing sources (uses):							
General obligation bonds issued	-	-	-	2,435,000	7,165,000	-	9,600,000
Premium on general obligation bonds	-	-	-	2,508	13,976	-	16,484
Capital lease purchase agreement	-	-	-	-	-	120,302	120,302
General obligations bonds/notes refunded	-	-	-	(2,400,000)	-	-	(2,400,000)
Operating transfers in	9,448,116	787,457	-	3,083,220	3,533,086	1,438,845	18,290,724
Operating transfers out	(3,599,500)	(36,256)	(2,879,897)	-	(24,918)	(10,860,099)	(17,400,670)
Total other financing sources (uses)	5,848,616	751,201	(2,879,897)	3,120,728	10,687,144	(9,300,952)	8,226,840
Net change in fund balances	(821,322)	(521,499)	1,164,485	(543,056)	(2,373,623)	3,483,694	388,679
Fund balances beginning of year	11,075,181	693,250	(2,142,908)	1,259,461	15,687,564	14,746,320	41,318,868
Fund balances end of year	\$ 10,253,859	171,751	(978,423)	716,405	13,313,941	18,230,014	41,707,547

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, 2009

**Net change in fund balances-total governmental funds (page 28)** \$ 388,679

**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	\$ 14,126,179	
Contributed assets	17,954,276	
Depreciation expense	(9,088,965)	22,991,490

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	(39,954)	
Other	(153,471)	(193,425)

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

Issued	(9,720,302)	
Repaid	12,012,702	2,292,400

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	(151,237)	
Net OPEB expense	(463,737)	
Net pension expense	(255,576)	
Interest on long-term debt	315	(870,235)

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.

(677,196)

**Change in net assets of governmental activities (page 25)** \$ 23,931,713

See notes to financial statements.

**Exhibit G**

City of Council Bluffs  
Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Business Type Activities - Enterprise				Governmental
	Sewer	Refuse and Disposal	Nonmajor - Parks Food Service	Total	Internal Service
<b>Assets</b>					
Current assets:					
Cash and pooled investments	\$ 6,770,702	852,643	25,716	7,649,061	2,321,397
Receivables:					
Accounts	40,437	1,245,800	-	1,286,237	252,693
Customer accounts and unbilled usage	853,991	-	-	853,991	-
Due from other funds	17,878	-	-	17,878	412,951
Due from other governments	434,772	152,373	-	587,145	-
Inventories	259,333	34,634	-	293,967	-
Total current assets	8,377,113	2,285,450	25,716	10,688,279	2,987,041
Noncurrent assets:					
Capital assets, net of accumulated depreciation	104,911,607	2,681,230	-	107,592,837	-
<b>Total assets</b>	113,288,720	4,966,680	25,716	118,281,116	2,987,041
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	266,454	274,185	-	540,639	788,217
Salaries and benefits payable	168,331	41,617	-	209,948	-
Due to other funds	-	-	-	-	412,951
Due to other governments	2,769	78	-	2,847	-
Unearned revenue	-	77,242	-	77,242	-
SWAP loan payable	-	26,000	-	26,000	-
Compensated absences	148,043	41,696	-	189,739	-
Total current liabilities	585,597	460,818	-	1,046,415	1,201,168
Noncurrent liabilities:					
SWAP loan payable	-	78,000	-	78,000	-
Compensated absences	67,565	22,209	-	89,774	-
Net OPEB liability	60,043	10,220	-	70,263	-
Net pension liability	33,091	5,633	-	38,724	-
Total noncurrent liabilities	160,699	116,062	-	276,761	-
<b>Total liabilities</b>	746,296	576,880	-	1,323,176	1,201,168
<b>Net Assets</b>					
Invested in capital assets, net of related debt	104,911,607	2,577,230	-	107,488,837	-
Unrestricted	7,630,817	1,812,570	25,716	9,469,103	1,785,873
<b>Total net assets</b>	\$ 112,542,424	4,389,800	25,716	116,957,940	1,785,873

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, 2009

	Business Type Activities - Enterprise				Governmental
	Sewer	Refuse and Disposal	Nonmajor - Parks Food Service	Total	Activities Internal Service
Operating revenues:					
Charges for service	\$ 5,275,092	4,203,254	20,171	9,498,517	7,868,861
Miscellaneous	17,098	392,415	8,045	417,558	14,380
Total operating revenues	5,292,190	4,595,669	28,216	9,916,075	7,883,241
Operating expenses:					
Governmental activities:					
Public safety	-	-	-	-	3,896,522
Public works	-	-	-	-	1,010,804
Health and social services	-	-	-	-	98,688
Culture and recreation	-	-	-	-	685,095
Community and economic development	-	-	-	-	136,403
General government	-	-	-	-	1,514,862
Business type activities:					
Sewer system and sewage disposal	6,040,791	-	-	6,040,791	-
Refuse disposal	-	4,207,138	-	4,207,138	-
Parks food service	-	-	2,500	2,500	-
Depreciation	2,385,396	177,475	-	2,562,871	-
Insurance	-	-	-	-	1,249,266
Total operating expenses	8,426,187	4,384,613	2,500	12,813,300	8,591,640
Operating income (loss)	(3,133,997)	211,056	25,716	(2,897,225)	(708,399)
Nonoperating revenues (expenses):					
Local option sales tax	4,646,303	-	-	4,646,303	-
Interest on investments	49,787	-	-	49,787	31,203
State and federal grants	206,715	162,287	-	369,002	-
Gain on sale of capital assets	-	2,445	-	2,445	-
Miscellaneous	62,562	20,000	-	82,562	-
Interest expense	(134,250)	(1,442)	-	(135,692)	-
Total nonoperating revenues (expenses)	4,831,117	183,290	-	5,014,407	31,203
Net income (loss) before contributions and transfers	1,697,120	394,346	25,716	2,117,182	(677,196)
Contributions and transfers:					
Capital contributions	7,727,154	-	-	7,727,154	-
Transfers in	167,878	-	-	167,878	-
Transfers out	(1,057,932)	-	-	(1,057,932)	-
Total contributions and transfers	6,837,100	-	-	6,837,100	-
Change in net assets	8,534,220	394,346	25,716	8,954,282	(677,196)
Net assets beginning of year	104,008,204	3,995,454	-	108,003,658	2,463,069
Net assets end of year	\$ 112,542,424	4,389,800	25,716	116,957,940	1,785,873

See notes to financial statements.

**Exhibit I**

## City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Business Type Activities - Enterprise				Governmental
	Sewer	Refuse and Disposal	Nonmajor - Parks Food Service	Total	Activities Internal Service
Cash flows from operating activities:					
Cash received from customers and users	\$ 5,320,064	3,825,376	28,216	9,173,656	7,576,921
Cash received from other sources	15,567	392,075	-	407,642	369,750
Cash paid for personal services	(3,483,656)	(908,649)	(2,500)	(4,394,805)	-
Cash paid to suppliers	(2,378,537)	(3,392,044)	-	(5,770,581)	(8,034,676)
Net cash provided by (used for) operating activities	(526,562)	(83,242)	25,716	(584,088)	(88,005)
Cash flows from noncapital financing activities:					
Nonoperating noncapital grants	121,154	10,030	-	131,184	-
Transfers to other funds	(907,932)	-	-	(907,932)	-
Net cash provided by (used for) noncapital financing activities	(786,778)	10,030	-	(776,748)	-
Cash flows from investing activities:					
Interest on investments	65,809	-	-	65,809	41,352
Cash flows from capital and related financing activities:					
Nonoperating capital grants received	206,715	-	-	206,715	-
Local option sales tax	4,957,204	-	-	4,957,204	-
Miscellaneous revenue	62,439	-	-	62,439	-
Proceeds of SWAP loan	-	150,000	-	150,000	-
Acquisition of capital assets	(1,001,756)	(7,540)	-	(1,009,296)	-
Principal paid on SWAP loan	-	(26,000)	-	(26,000)	-
Principal paid on general obligation bonds	(230,000)	-	-	(230,000)	-
Interest paid on general obligation bonds	(134,250)	-	-	(134,250)	-
Principal paid on capital lease purchase agreement	-	(69,383)	-	(69,383)	-
Interest paid on capital lease purchase agreement	-	(1,442)	-	(1,442)	-
Net cash provided by capital and related financing activities	3,860,352	45,635	-	3,905,987	-
Net increase (decrease) in cash and cash equivalents	2,612,821	(27,577)	25,716	2,610,960	(46,653)
Cash and cash equivalents beginning of year	4,157,881	880,220	-	5,038,101	2,368,050
Cash and cash equivalents end of year	\$ 6,770,702	852,643	25,716	7,649,061	2,321,397

City of Council Bluffs

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Business Type Activities - Enterprise				Governmental
	Sewer	Refuse and Disposal	Nonmajor - Parks Food Service	Total	Activities Internal Service
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (3,133,997)	\$ 211,056	25,716	(2,897,225)	(708,399)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:					
Depreciation expense	2,385,396	177,475	-	2,562,871	-
(Increase) decrease in accounts receivable	(20,049)	(377,878)	-	(397,927)	63,430
Decrease in customer accounts receivable and unbilled usage	63,490	-	-	63,490	-
(Increase) in due from other governments (operating)	(2,111)	(116)	-	(2,227)	-
(Increase) decrease in inventories	188	(12,974)	-	(12,786)	-
Increase (decrease) in accounts payable (operating)	58,897	(107,971)	-	(49,074)	556,964
Increase in salaries and benefits payable	14,041	2,655	-	16,696	-
(Decrease) in due to other governments	(1,157)	(5,785)	-	(6,942)	-
(Decrease) in unearned revenue	-	(340)	-	(340)	-
Increase in compensated absences	15,606	14,783	-	30,389	-
Increase in net OPEB liability	60,043	10,220	-	70,263	-
Increase in net pension liability	33,091	5,633	-	38,724	-
Total adjustments	2,607,435	(294,298)	-	2,313,137	620,394
Net cash provided by (used for) operating activities	\$ (526,562)	(83,242)	25,716	(584,088)	(88,005)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, capital assets of \$173,660 and \$4,820,528 were contributed to the Sewer Fund by the General and Capital Projects Funds, respectively, and \$2,732,966 were donated by developers to the Sewer Fund.

See notes to financial statements.

City of Council Bluffs  
Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2009

<b>Assets</b>	
Cash and pooled investments	\$ 20,087
Accounts receivable	244
Due from other governments	92,813
<b>Total assets</b>	<u>113,144</u>
<b>Liabilities</b>	
Trusts payable	109,115
Due to other governments	4,029
<b>Total liabilities</b>	<u>113,144</u>
<b>Net assets held in trust for employee benefits</b>	<u><u>\$ -</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

	Pension and Other Employee Benefit Trust
Additions:	
Miscellaneous	\$ 133,034
Deductions:	
Benefits and refunds paid to plan members	1,837
Change in net assets held in trust for employee benefits	131,197
Net assets held in trust for employee benefits beginning of year	(131,197)
Net assets held in trust for employee benefits end of year	\$ -

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2009

**(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. An audit of the Council Bluffs Airport Authority has been completed by other independent auditors. A copy of the report is available for review in the Authority's office.

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

#### Jointly Governed Organization

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

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

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

### B. Basis of Presentation

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

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

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

*Restricted net assets:*

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

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

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

The Special Revenue, Tax Increment Financing Fund is used to account for revenue derived from the tax authorized by ordinance in the urban renewal district and used to pay indebtedness incurred for urban renewal.

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following proprietary funds:

The Parks Food Service Fund is used to account for operation of a concession stand at the City pool.

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 programs. 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, 2009 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2008.

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

Special and Drainage Assessments Receivable – Special and drainage assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on

September 30 and is subject to the same interest and penalties as other tax. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. 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, 2009. 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, 2009, disbursements did not exceed the amount budgeted in any function.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2009 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, 2009 are as follows:

Type	Fair Value	Maturity
U.S. Treasury securities	\$ 296,817	November 2010

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,011,585 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation’s investments at June 30, 2009 consist of mutual funds with a fair value of \$3,727,162.

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.

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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 17,345,415	8,748,448	-	26,093,863
Construction in progress	35,738,289	15,918,287	(37,169,907)	14,486,669
Total capital assets not being depreciated	53,083,704	24,666,735	(37,169,907)	40,580,532
Capital assets being depreciated:				
Buildings	111,388,453	6,630,837	-	118,019,290
Improvements other than buildings	24,598,697	2,452,222	-	27,050,919
Equipment and vehicles	18,953,570	971,029	(365,385)	19,559,214
Infrastructure, road network and other	102,784,091	34,595,129	-	137,379,220
Total capital assets being depreciated	257,724,811	44,649,217	(365,385)	302,008,643
Less accumulated depreciation for:				
Buildings	14,177,355	2,659,857	-	16,837,212
Improvements other than buildings	8,136,391	1,305,206	-	9,441,597
Equipment and vehicles	12,185,653	1,227,444	(299,795)	13,113,302
Infrastructure, road network and other	41,930,074	3,896,458	-	45,826,532
Total accumulated depreciation	76,429,473	9,088,965	(299,795)	85,218,643
Total capital assets being depreciated, net	181,295,338	35,560,252	(65,590)	216,790,000
Governmental activities capital assets, net	\$ 234,379,042	60,226,987	(37,235,497)	257,370,532
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,272,252	173,660	-	6,445,912
Construction in progress	2,300,567	6,048,906	(6,832,678)	1,516,795
Total capital assets not being depreciated	8,572,819	6,222,566	(6,832,678)	7,962,707
Capital assets being depreciated:				
Buildings	20,046,091	-	-	20,046,091
Improvements other than buildings	6,671,002	166,491	-	6,837,493
Equipment and vehicles	11,843,644	171,975	(20,450)	11,995,169
Infrastructure, sewer network	88,273,347	8,945,213	-	97,218,560
Total capital assets being depreciated	126,834,084	9,283,679	(20,450)	136,097,313
Less accumulated depreciation for:				
Buildings	8,794,361	386,276	-	9,180,637
Improvements other than buildings	839,444	122,618	-	962,062
Equipment and vehicles	6,321,589	576,343	(4,090)	6,893,842
Infrastructure, sewer network	17,953,008	1,477,634	-	19,430,642
Total accumulated depreciation	33,908,402	2,562,871	(4,090)	36,467,183
Total capital assets being depreciated, net	92,925,682	6,720,808	(16,360)	99,630,130
Business type activities capital assets, net	\$ 101,498,501	12,943,374	(6,849,038)	107,592,837

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

Governmental activities:	
Public safety	\$ 764,542
Public works	3,951,336
Health and social services	7,748
Culture and recreation	2,032,196
Community and economic development	2,290,417
General government	<u>42,726</u>
Total depreciation expense - governmental activities	<u><u>\$ 9,088,965</u></u>

Business type activities:	
Sewer	\$ 2,385,396
Nonmajor enterprise fund	<u>177,475</u>
Total depreciation expense - business type activities	<u><u>\$ 2,562,871</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely presented component unit - Airport:</b>				
Capital assets not being depreciated:				
Land	\$ 2,192,064	-	-	2,192,064
Construction in progress	3,545,644	3,699,736	-	<u>7,245,380</u>
Total capital assets not being depreciated	<u>5,737,708</u>	<u>3,699,736</u>	-	<u>9,437,444</u>
Capital assets being depreciated:				
Buildings	2,465,117	42,577	-	2,507,694
Improvements other than buildings	12,531,676	136,214	-	12,667,890
Equipment and vehicles	229,626	11,260	-	<u>240,886</u>
Total capital assets being depreciated	<u>15,226,419</u>	<u>190,051</u>	-	<u>15,416,470</u>
Less accumulated depreciation for:				
Buildings	1,005,656	51,091	-	1,056,747
Improvements other than buildings	548,970	419,409	-	968,379
Equipment and vehicles	178,293	19,766	-	<u>198,059</u>
Total accumulated depreciation	<u>1,732,919</u>	<u>490,266</u>	-	<u>2,223,185</u>
Total capital assets being depreciated, net	<u>13,493,500</u>	<u>(300,215)</u>	-	<u>13,193,285</u>
Discretely presented component unit capital assets, net	<u><u>\$ 19,231,208</u></u>	<u>3,399,521</u>	-	<u><u>22,630,729</u></u>
Total depreciation expense - discretely presented component unit				<u><u>\$ 490,266</u></u>

**(4) Long-Term Liabilities**

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 57,605,000	9,600,000	(11,360,000)	55,845,000	8,285,000
Urban renewal revenue capital loan note	15,727,485	-	(558,793)	15,168,692	589,393
Capital lease purchase agreements	212,441	120,302	(78,909)	253,834	115,728
HUD loan	750,000	-	(15,000)	735,000	15,000
Compensated absences	2,095,924	2,043,916	(1,892,679)	2,247,161	1,676,020
Net OPEB liability	-	463,737	-	463,737	-
Net pension liability	-	255,576	-	255,576	-
Total	\$ 76,390,850	12,483,531	(13,905,381)	74,969,000	10,681,141
Business type activities:					
General obligation bonds	\$ 230,000	-	(230,000)	-	-
Capital lease purchase agreement	69,383	-	(69,383)	-	-
SWAP loan	-	130,000	(26,000)	104,000	26,000
Compensated absences	249,124	264,468	(234,079)	279,513	189,739
Net OPEB liability	-	70,263	-	70,263	-
Net pension liability	-	38,724	-	38,724	-
Total	\$ 548,507	503,455	(559,462)	492,500	215,739

General Obligation Bonds/Notes Payable

General obligation bonds/notes have been issued for governmental activities. The portion of unmatured general obligation bonds/notes accounted for in governmental activities and serviced by the Debt Service Fund totaled \$55,845,000 at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 1.90% to 7.0% per annum.

On April 9, 2009, the City issued \$2,435,000 of general obligation refunding capital loan notes with an interest rate of 1.90% for a current refunding of the following:

- \$370,000 of general obligation bonds dated December 1, 1991.
- \$500,000 of general obligation capital loan notes dated March 1, 2000.
- \$1,530,000 of general obligation bonds dated July 1, 2001.

The City refunded the bonds/notes to reduce its total debt service payments by approximately \$89,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$87,000.

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 20).

Principal and interest on this note are secured as follows:

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

During the year ended June 30, 2009, principal payments of \$558,793 and interest payments of \$427,296 were made by the City.

Capital Lease Purchase Agreements

The City has entered into five capital lease purchase agreements to lease telephone systems, mowers and a street sweeper with historical costs of \$152,467, \$197,673 and \$152,428, respectively. The following is a schedule of the future minimum lease payments, including interest at 8.26% and 8.17% per annum for the telephone leases, 6.30% and 5.00% per annum for the mower leases and 4.18% per annum for the street sweeper lease and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

Year Ending June 30,	Governmental Activities			
	Telephone Systems	Mowers	Street Sweeper	Total
2010	\$ 32,456	52,476	43,499	128,431
2011	16,740	23,130	43,499	83,369
2012	16,740	-	43,499	60,239
2013	4,185	-	-	4,185
Total minimum lease payments	70,121	75,606	130,497	276,224
Less interest	7,204	4,991	10,195	22,390
Present value of net minimum lease	\$ 62,917	70,615	120,302	253,834

Payments under the governmental activities capital lease purchase agreements totaled \$92,871 for the year ended June 30, 2009.

Payments under the business type activities lease purchase agreements totaled \$70,825 during the year, leaving no balance at June 30 2009.

The historical cost of assets acquired under the above capital leases and included in capital assets on the governmental activities government-wide statements at June 30, 2009 is as follows:

Equipment	\$ 502,568
Accumulated depreciation	<u>(127,028)</u>
Net	<u><u>\$ 375,540</u></u>

Solid Waste Alternative Program (SWAP) Loan

In September 2008, the City entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of equipment for the recycling program. The agreement awarded up to \$150,000 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$130,000. The term of the loan is 60 months and requires 20 quarterly payments of \$6,500 beginning October 15, 2008. At June 30, 2009, a total of \$150,000 has been drawn on the loans, including \$20,000 of the forgivable loan. There are no unmet conditions to be achieved for loan forgiveness and, accordingly, \$20,000 has been recognized as miscellaneous income.

Details of the City's SWAP loan at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 26,000
2011	26,000
2012	26,000
2013	19,500
2014	<u>6,500</u>
Total	<u><u>\$ 104,000</u></u>

The City paid \$26,000 in principal under the agreement during the year ended June 30, 2009.

Sewer Revenue Capital Loan Notes

On May 11, 2009, the City adopted a resolution instituting proceedings to authorize the issuance of up to \$5,500,000 of sewer revenue capital loan notes to provide funds to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the municipal sewer system. On May 11, 2009, in anticipation of proceeds from the issuance of these notes, the City approved the issuance of a \$323,000 sewer revenue capital loan anticipation project note. The note bears no interest and matures on June 1, 2012. At June 30, 2009, the City had not drawn any funds on the note.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2009 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
General obligation bonds:						
Essential corporate purpose	Jul 1, 2001	3.500-4.125%	June 1, 2011	\$ 975,000-1,530,000	8,700,000	1,360,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	3,800,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,300,000
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2019	380,000-520,000	8,000,000	7,270,000
Essential corporate purpose	Apr 10, 2006	4.000-4.200	June 1, 2020	100,000-2,945,000	8,220,000	4,060,000
Corporate purpose	May 1, 2007	4.000	June 1, 2020	100,000-2,100,000	8,965,000	8,765,000
Essential corporate purpose	May 1, 2007	3.700-4.000	June 1, 2020	155,000-240,000	2,150,000	2,150,000
Corporate purpose	Jun 23, 2008	3.250-4.000	June 1, 2021	140,000-805,000	7,615,000	7,615,000
Essential corporate purpose	Jun 9, 2009	2.100-5.600	June 1, 2024	50,000-660,000	7,165,000	7,165,000
General obligation capital loan notes:						
Essential corporate purpose	Mar 1, 2000	5.250-5.500	June 1, 2011	500,000-2,450,000	4,950,000	2,450,000
Essential corporate purpose	Nov 1, 2000	4.700-5.050	June 1, 2011	25,000-1,500,000	5,000,000	2,950,000
Essential corporate purpose	Apr 1, 2002	4.000-4.500	June 1, 2010	75,000-1,525,000	4,100,000	1,525,000
Essential corporate purpose	Apr 9, 2009	1.900	June 1, 2011	2,435,000	2,435,000	2,435,000
Total governmental activities						<u>\$ 55,845,000</u>

Details of the urban renewal revenue capital loan note payable at June 30, 2009 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
Capital loan note	Dec 15, 1991	1.59% *	Jan 15, 2011	\$ 502,394 - 14,579,299	17,000,000	<u>\$ 15,168,692</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
2010	\$ 8,285,000	2,196,079	10,481,079	589,393	211,919	801,312
2011	7,265,000	1,817,428	9,082,428	14,579,299	103,699	14,682,998
2012	5,440,000	1,585,590	7,025,590	-	-	-
2013	5,095,000	1,389,670	6,484,670	-	-	-
2014	4,915,000	1,203,250	6,118,250	-	-	-
2015-2019	19,445,000	3,492,884	22,937,884	-	-	-
2020-2024	5,400,000	636,090	6,036,090	-	-	-
Total	<u>\$ 55,845,000</u>	<u>12,320,991</u>	<u>68,165,991</u>	<u>15,168,692</u>	<u>315,618</u>	<u>15,484,310</u>

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

At June 30, 2009, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 4,428,776,147</u>
Debt limit – 5% of total actual valuation	\$ 221,438,807
Less debt applicable to debt limit:	
General obligation debt outstanding	55,845,000
Capital lease purchase agreements	253,834
Tax increment indebtedness	<u>22,898,570</u>
Legal debt margin	<u>\$ 142,441,403</u>

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

HUD Loan to City

On August 20, 2007, the City entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to borrow \$750,000 under the provisions of the HUD Section 108 Loan Guarantee Program. The loan, for the purpose discussed below, is evidenced by a promissory note with a variable interest rate equal to 20 basis points (0.2%) above the applicable London Interbank Offered Rates (LIBOR), adjusted monthly. Interest is payable quarterly on the note and principal is due annually for twenty years beginning August 1, 2008 and ending August 1, 2027. During the year ended June 30, 2009, the City paid \$15,000 of principal and \$19,648 of interest on the loan. Below is a summary of the annual principal and interest payments to maturity.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 15,000	6,120	21,120
2011	15,000	5,993	20,993
2012	15,000	5,865	20,865
2013	15,000	5,738	20,738
2014	15,000	5,610	20,610
2015-2019	125,000	25,288	150,288
2020-2024	245,000	16,873	261,873
2025-2028	290,000	3,910	293,910
Total	<u>\$ 735,000</u>	<u>75,397</u>	<u>810,397</u>

\* Annual interest payments are estimated since the interest rate on this loan varies (the interest rate at June 30, 2009 is approximately .85% per annum).

Note Receivable to City

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

Principal on this note receivable is fully due and payable to the City no later than June 1, 2015. Prior to that date, the obligor shall make quarterly payments of accrued interest only, commencing on September 1, 2007 and continuing until June 1, 2015. During the year ended June 30, 2009, \$20,376 of interest was paid to the City on the note.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Bass Pro	\$ 36,256
	Nonmajor	9,411,860
		<u>9,448,116</u>
Special Revenue: Bass Pro	Special Revenue: Tax Increment Financing	<u>787,457</u>
Debt Service	Special Revenue: Tax Increment Financing	2,083,220
	Enterprise: Sewer	1,000,000
		<u>3,083,220</u>
Capital Projects	General	3,447,155
	Special Revenue: Tax Increment Financing	9,220
	Nonmajor	18,779
	Enterprise: Sewer	57,932
		<u>3,533,086</u>
Special Revenue: Nonmajor	General	2,345
	Special Revenue: Nonmajor	1,411,582
	Capital Projects	24,918
		<u>1,438,845</u>
Enterprise: Sewer	General	150,000
	Special Revenue: Nonmajor	17,878
		<u>167,878</u>
Total		<u>\$ 18,458,602</u>

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

**(7) Interfund Assets/Liabilities**

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

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

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

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	CDBG Grant	\$ 229,941
	Miscellaneous	352,447
	Fire Pension	1,588
		<u>583,976</u>
Special Revenue: Road Use Tax	Special Revenue: Miscellaneous	<u>64,127</u>
Enterprise: Sewer	Special Revenue: Miscellaneous	<u>17,878</u>
Internal Service: Iowa Governmental Health Care Plan	Internal Service: Workers' Compensation Self Insurance	<u>412,951</u>
Total		<u>\$ 1,078,932</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(8) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

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

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll for the current year. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$833,422, \$741,224 and \$671,573, 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, 2009, 2008 and 2007 were \$2,358,269, \$3,057,321 and \$3,255,926, respectively, which met the required minimum contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 414 active and 33 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded, fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 632,000
Contributions made	<u>(98,000)</u>
Increase in net OPEB obligation	534,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 534,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the City contributed \$98,000 to the medical plan. Plan members eligible for benefits contributed \$212,000 or 68% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 632,000	15.5%	\$ 534,000

Funded Status and Funding Progress - As of July 1, 2007, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$5,177,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,177,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,160,000 and the ratio of the UAAL to covered payroll was 22.4%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2007 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the MFPRSI Actuarial valuation report as of July 1, 2007 and the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan range from \$559 to \$812 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Supplemental Pension Plan**

The City implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27 during the year ended June 30, 2009.

Plan Description - The City provides a defined benefit supplemental pension (severance pay) benefit to eligible employees. Currently, all union and non-union employees, except police union members who have completed one year of continuous service with the City and who do not voluntarily resign and are not discharged for cause are eligible for this benefit.

There are 414 active members in the plan as of June 30, 2009. The pension benefit is defined in terms of hourly rates of pay by employee, payable in one lump sum upon retirement or termination. The benefit (severance pay) is paid based on the following continuous service requirements:

Years of Service	Amount of Severance	
	40 Hour Schedule	56 Hour Schedule
More than 1, but less than 5	40 hours pay	56 hours pay
More than 5, but less than 10	80 hours pay	112 hours pay
More than 10, but less than 15	120 hours pay	168 hours pay
More than 15	160 hours pay	224 hours pay

Funding Policy – Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General, Special Revenue, Road Use Tax and Enterprise, Sewer and Refuse and Disposal Funds are used for funding all the pension benefits. The City makes all the contributions.

Annual Pension Cost and Net Pension Obligation - The City’s annual pension cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual pension cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City’s net pension obligation:

Annual required contribution	\$ 337,200
Pension payments made	<u>(42,900)</u>
Increase in net pension obligation	294,300
Net pension obligation beginning of year	<u>-</u>
Net pension obligation end of year	<u>\$ 294,300</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2008. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the City contributed \$42,900 to the pension plan. The City's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 337,200	12.7%	\$ 294,300

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$5,859,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,859,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,160,000 and the ratio of the UAAL to covered payroll was 25.3%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the aggregate actuarial cost method as a percent of pay was used. The actuarial assumptions used for salary scale, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The remaining amortization period at June 30, 2000 is 29 years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

**(11) Transit Authority Agreement**

The City has contracted for transit service on a regular, scheduled basis over certain routes within the City. The contract provides the City shall pay the net operating cost of service over these routes within the City. During the year ended June 30, 2008, the City paid \$755,812 under this contract.

**(12) 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.

**(13) 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.

**(14) 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 plan with a maximum out of pocket expense of \$5,000/\$10,000 per single/family plan. The deductible and maximum out of pocket expense for the city is reduced by the deductible amount paid by the employee of \$100/\$300 per single/family plan and employee maximum out of pocket expense of \$1,000/\$2,000 per single/family plan. 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, 2009 was \$5,536,926.

Amounts payable from the Iowa Governmental Health Care Plan Fund at June 30, 2009 total \$787,493, 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, 2008	\$ 200,000
Incurred claims (including claims incurred but not reported as of June 30, 2009)	7,431,778
Payments on claims	<u>(6,844,285)</u>
Unpaid claims as of June 30, 2009	<u>\$ 787,493</u>

**(15) Deficit Fund Balances**

The Special Revenue, Tax Increment Financing and Fire Pension and the Internal Service, Worker's Compensation Self Insurance Funds had deficit fund balances of \$978,423, \$1,436 and \$412,951, respectively, at June 30, 2009. The deficit balances will be eliminated through the future collection of tax increment financing and property tax revenues and contributions from operating funds, respectively.

**(16) Construction Commitments**

Construction commitments at June 30, 2009 totaled \$14,187,704, 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.

**(17) 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.

**(18) 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, 2009 carry an interest rate of 3% per annum and have terms ranging from 10 to 20 years. At June 30, 2009, there were 70 active loans with a total outstanding principal balance of \$704,409, which is included in loans receivable in these financial statements.

**(19) Urban Renewal Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$32,850,154. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2009, the City rebated \$882,875 of incremental tax to developers, which included \$803,397 for principal and \$79,478 for interest. The total cumulative principal amount rebated on the agreements is \$4,129,977. The outstanding balance on the agreements at June 30, 2009 was \$28,720,177.

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 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 agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

**(20) 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, 2009, the City did not make any payments to the IWF pursuant to this agreement.

Bass Pro Outdoor World, L.L.C.

On October 22, 2004, the City entered into an agreement with Pottawattamie County, the Iowa West Foundation, the Southwest Iowa Foundation and the Council Bluffs Community Betterment Foundation (CBF) to develop an outdoor world retail facility. The project was financed and constructed by the CBF for use and occupancy by Bass Pro Outdoor World, L.L.C., lessee (Bass Lease). As part of this agreement, the City will own and maintain the facility and has issued a \$17,000,000 urban renewal revenue capital loan note to reimburse CBF for some of the project costs. As discussed in Note 4, the note is secured in various forms by the development agreement participants. Pursuant to the agreement, the City established a Trust Account through First National Bank of Omaha as trustee. Deposits into this account include all sources of funding securing the note and all lease payments required under the Bass Lease. Funds in the trust account are to be used to pay real estate tax 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, 2009, the City transferred \$787,457 into this fund from the Special Revenue, Tax Increment Financing Fund to fulfill part of its obligation under the economic development agreement.

City of Council Bluffs Area Chamber of Commerce

On March 26, 2008, the City entered into an agreement with the City of Council Bluffs Area Chamber of Commerce (Chamber of Commerce). As part of the agreement, the City has agreed to dedicate certain excess hotel/motel receipts to the Chamber of Commerce for the purpose of promoting the City as both a convention site and a visitor attraction. The City's obligation under this agreement commenced on July 1, 2008 and terminates on June 30, 2013. Pursuant to the agreement, the City is to pay \$400,000 in the first year of the agreement with a 7.5% increase in funding in each of the following four years.

During the year ended June 30, 2009, the City paid \$400,000 to the Chamber of Commerce as part of its obligation under the economic development agreement.

**(21) Subsequent Events**

On January 25, 2010, the City approved the issuance of \$375,000 of sewer revenue capital loan notes to provide funds to assist with the cost of purchasing equipment for the wastewater treatment plant. The notes bear interest at 3% per annum and require semiannual interest payments and annual principal payments for 20 years. The final payment is scheduled for June 1, 2030.

On January 25, 2010, the City approved the issuance of \$945,000 of sewer revenue capital loan notes to provide funds to assist with the cost of porous paving at East Manawa. The notes bear interest at 3% per annum and require semiannual interest payments and annual principal payments for 20 years. The final payment is scheduled for June 1, 2030.

On January 25, 2010, the City authorized the issuance of up to \$4 million of general obligation refunding capital loan notes, the proceeds of which will be used to refund the City's 2003 general obligation bonds. Notes totaling \$3,685,000 are scheduled to be issued March 18, 2010.

**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, 2009

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
<b>Receipts:</b>			
Property tax	\$ 33,327,528	-	33,327,528
Tax increment financing	5,023,882	-	5,023,882
Other city tax	13,799,372	4,957,204	18,756,576
Licenses and permits	3,323,388	-	3,323,388
Use of money and property	1,646,035	100,467	1,746,502
Intergovernmental	10,805,477	337,899	11,143,376
Charges for service	3,558,190	9,152,159	12,710,349
Special and drainage assessments	220,911	-	220,911
Miscellaneous	6,410,835	456,921	6,867,756
Total receipts	<u>78,115,618</u>	<u>15,004,650</u>	<u>93,120,268</u>
<b>Disbursements:</b>			
Public safety	24,718,583	-	24,718,583
Public works	6,709,975	-	6,709,975
Health and social services	517,402	-	517,402
Culture and recreation	7,118,525	-	7,118,525
Community and economic development	5,136,250	-	5,136,250
General government	9,715,841	-	9,715,841
Debt service	14,903,811	-	14,903,811
Capital projects	20,300,325	-	20,300,325
Business type activities	-	11,271,508	11,271,508
Total disbursements	<u>89,120,712</u>	<u>11,271,508</u>	<u>100,392,220</u>
Excess (deficiency) of receipts over (under) disbursements	(11,005,094)	3,733,142	(7,271,952)
Other financing sources (uses), net	10,667,786	(1,122,182)	9,545,604
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(337,308)	2,610,960	2,273,652
Balance beginning of year	<u>37,643,032</u>	<u>5,038,101</u>	<u>42,681,133</u>
Balance end of year	<u>\$ 37,305,724</u>	<u>7,649,061</u>	<u>44,954,785</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
33,722,223	33,722,223	(394,695)
3,798,000	3,834,000	1,189,882
18,839,120	18,839,120	(82,544)
3,146,650	3,146,650	176,738
1,060,100	2,988,240	(1,241,738)
11,819,100	13,411,660	(2,268,284)
13,628,618	13,628,618	(918,269)
203,200	203,000	17,911
3,523,300	3,658,300	3,209,456
89,740,311	93,431,811	(311,543)
25,042,454	25,627,454	908,871
7,646,826	7,824,826	1,114,851
591,893	591,893	74,491
5,493,794	7,156,794	38,269
5,813,207	6,969,907	1,833,657
11,240,272	11,500,272	1,784,431
10,896,734	14,960,984	57,173
22,530,000	22,029,000	1,728,675
14,306,265	13,942,015	2,670,507
103,561,445	110,603,145	10,210,925
(13,821,134)	(17,171,334)	9,899,382
7,090,000	9,661,000	(115,396)
(6,731,134)	(7,510,334)	9,783,986
26,542,656	26,542,656	16,138,477
19,811,522	19,032,322	25,922,463

City of Council Bluffs  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 78,115,618	(791,609)	77,324,009
Expenditures	89,120,712	(3,958,542)	85,162,170
Net	(11,005,094)	3,166,933	(7,838,161)
Other financing sources (uses)	10,667,786	(2,440,946)	8,226,840
Beginning fund balances	37,643,032	3,675,836	41,318,868
Ending fund balances	<u>\$ 37,305,724</u>	<u>4,401,823</u>	<u>41,707,547</u>
	Enterprise Funds		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 15,004,650	61,524	15,066,174
Expenses	11,271,508	1,677,484	12,948,992
Net	3,733,142	(1,615,960)	2,117,182
Other financing sources (uses)	(1,122,182)	7,959,282	6,837,100
Beginning net assets	5,038,101	102,965,557	108,003,658
Ending net assets	<u>\$ 7,649,061</u>	<u>109,308,879</u>	<u>116,957,940</u>

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$7,041,700. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

City of Council Bluffs

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	-	\$ 5,177	5,177	0.00%	\$ 23,160	22.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

City of Council Bluffs

Schedule of Funding Progress for the  
Supplemental Pension Plan  
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	-	\$ 5,859	5,859	0.00%	\$ 23,160	25.3%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

**City of Council Bluffs**

**Other Supplementary Information**

City of Council Bluffs  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Community Development Non-capital Projects	Forfeited Assets
<b>Assets</b>							
Cash and pooled investments	\$ 2,635,263	-	-	156,600	21,838	88,283	53,782
Receivables:							
Property tax:							
Delinquent	-	10,932	-	-	-	-	-
Succeeding year	-	480,000	-	-	-	-	-
Accounts	-	-	-	-	722	71,043	-
Special and drainage assessments	105	-	-	-	-	-	-
Loans	-	-	704,409	-	-	-	-
HUD loan	-	-	-	-	-	750,000	-
Due from other funds	64,127	-	-	-	-	-	-
Due from other governments	433,387	-	396,407	-	-	-	-
Inventories	1,085,024	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 4,217,906</b>	<b>490,932</b>	<b>1,100,816</b>	<b>156,600</b>	<b>22,560</b>	<b>909,326</b>	<b>53,782</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 112,048	-	82,016	-	-	-	-
Salaries and benefits payable	143,727	-	22,503	-	-	-	-
Due to other funds	-	-	229,941	-	-	-	-
Due to other governments	386	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	-	480,000	-	-	-	-	-
Other	2,358	2,295	47,242	-	-	-	-
Total liabilities	258,519	482,295	381,702	-	-	-	-
Fund balances:							
Reserved for:							
Encumbrances	12,800	-	-	-	-	-	-
Loans receivable	-	-	704,409	-	-	750,000	-
Cemetery care	-	-	-	-	-	-	-
Unreserved	3,946,587	8,637	14,705	156,600	22,560	159,326	53,782
Total fund balances	3,959,387	8,637	719,114	156,600	22,560	909,326	53,782
<b>Total liabilities and fund balances</b>	<b>\$ 4,217,906</b>	<b>490,932</b>	<b>1,100,816</b>	<b>156,600</b>	<b>22,560</b>	<b>909,326</b>	<b>53,782</b>

Special Revenue									
City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment	City Insurance	Drainage Districts			
						Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
7,024,389	377,932	63,316	30,756	1,283,541	777,487	79,154	109,798	266,683	68,015
-	26,320	17,815	405	55,722	89,887	-	-	-	-
-	1,031,000	764,000	16,000	1,818,000	4,155,000	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	44,936	36,417	45,639	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
432,811	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<b>7,457,200</b>	<b>1,435,252</b>	<b>845,131</b>	<b>47,161</b>	<b>3,157,263</b>	<b>5,022,374</b>	<b>124,090</b>	<b>146,215</b>	<b>312,322</b>	<b>68,015</b>
53,389	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	476	476	476	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,031,000	764,000	16,000	1,818,000	4,155,000	-	-	-	-
51,825	5,527	3,740	85	11,699	18,872	44,580	35,957	43,458	-
<b>105,214</b>	<b>1,036,527</b>	<b>767,740</b>	<b>16,085</b>	<b>1,829,699</b>	<b>4,173,872</b>	<b>45,056</b>	<b>36,433</b>	<b>43,934</b>	<b>-</b>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,351,986	398,725	77,391	31,076	1,327,564	848,502	79,034	109,782	268,388	68,015
7,351,986	398,725	77,391	31,076	1,327,564	848,502	79,034	109,782	268,388	68,015
<b>7,457,200</b>	<b>1,435,252</b>	<b>845,131</b>	<b>47,161</b>	<b>3,157,263</b>	<b>5,022,374</b>	<b>124,090</b>	<b>146,215</b>	<b>312,322</b>	<b>68,015</b>

City of Council Bluffs  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	Special Revenue						
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	Fire Pension	Retirees - 411 Benefits
<b>Assets</b>							
Cash and pooled investments	\$ 27,734	257,710	134,328	296,817	1,763,721	-	-
Receivables:							
Property tax:							
Delinquent	-	-	-	-	-	192	2,467
Succeeding year	-	-	-	-	-	615,000	101,000
Accounts	-	-	-	-	240	-	-
Special and drainage assessments	-	-	-	-	5,385	-	-
Loans	-	-	-	-	-	-	-
HUD loan	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	226,341	-	-
Inventories	-	-	-	-	-	-	-
<b>Total assets</b>	<b>27,734</b>	<b>257,710</b>	<b>134,328</b>	<b>296,817</b>	<b>1,995,687</b>	<b>615,192</b>	<b>103,467</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	-	47,109	-	-	109,374	-	-
Salaries and benefits payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	434,452	1,588	-
Due to other governments	-	-	-	-	277	-	-
Deferred revenue:							
Succeeding year property tax	-	-	-	-	-	615,000	101,000
Other	-	-	-	-	341,597	40	518
Total liabilities	-	47,109	-	-	885,700	616,628	101,518
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	82,156	-	-
Loans receivable	-	-	-	-	-	-	-
Cemetery care	-	-	-	-	-	-	-
Unreserved	27,734	210,601	134,328	296,817	1,027,831	(1,436)	1,949
Total fund balances	27,734	210,601	134,328	296,817	1,109,987	(1,436)	1,949
<b>Total liabilities and fund balances</b>	<b>\$ 27,734</b>	<b>257,710</b>	<b>134,328</b>	<b>296,817</b>	<b>1,995,687</b>	<b>615,192</b>	<b>103,467</b>

See accompanying independent auditor's report.

Police		Permanent	
Cash		Fairview	
Property		Cemetery	
Management	Total	Perpetual	Total
		Care	
245	15,517,392	59,920	15,577,312
-	203,740	-	203,740
-	8,980,000	-	8,980,000
-	72,005	-	72,005
-	132,482	-	132,482
-	704,409	-	704,409
-	750,000	-	750,000
-	64,127	-	64,127
-	1,488,946	-	1,488,946
-	1,085,024	-	1,085,024
245	28,998,125	59,920	29,058,045
-	403,936	-	403,936
-	167,658	-	167,658
-	665,981	-	665,981
-	663	-	663
-	8,980,000	-	8,980,000
-	609,793	-	609,793
-	10,828,031	-	10,828,031
-	94,956	-	94,956
-	1,454,409	-	1,454,409
-	-	59,920	59,920
245	16,620,729	-	16,620,729
245	18,170,094	59,920	18,230,014
245	28,998,125	59,920	29,058,045

City of Council Bluffs

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

Year ended June 30, 2009

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Community Development Non-capital Projects	Forfeited Assets
Revenues:							
Property tax	\$ -	489,397	-	-	-	-	-
Other city tax	-	49,394	-	-	-	-	-
Licenses and permits	41,985	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	129	-
Intergovernmental	5,085,735	-	789,747	530,788	-	15,047	-
Charges for service	72,685	-	3,380	-	-	-	-
Special and drainage assessments	32	-	-	-	-	-	-
Miscellaneous	15,581	-	117,607	37,000	49,081	279,428	5,543
Total revenues	5,216,018	538,791	910,734	567,788	49,081	294,604	5,543
Expenditures:							
Operating:							
Public safety	-	-	-	-	-	-	440
Public works	5,416,415	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	1,413,573	825,888	47,302	229,874	-
General government	358,483	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	5,774,898	-	1,413,573	825,888	47,302	229,874	440
Excess (deficiency) of revenues over (under) expenditures	(558,880)	538,791	(502,839)	(258,100)	1,779	64,730	5,103
Other financing sources (uses):							
Capital lease purchase agreement	120,302	-	-	-	-	-	-
Operating transfers in	574,416	-	-	-	-	844,596	-
Operating transfers out	-	(538,976)	-	(14,000)	-	-	-
Total other financing sources (uses)	694,718	(538,976)	-	(14,000)	-	844,596	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	135,838	(185)	(502,839)	(272,100)	1,779	909,326	5,103
Fund balances beginning of year	3,823,549	8,822	1,221,953	428,700	20,781	-	48,679
Fund balances end of year	\$ 3,959,387	8,637	719,114	156,600	22,560	909,326	53,782

Special Revenue									
City						Drainage Districts			
Local	Employees'	Workers'	Unemploy-	Fire and	City	Mosquito	Sieck	West	Lake
Option	Retire-	Compensation	ment	Police	Insurance	Creek #22	#32	Lewis	Manawa
Tax	ment		Compensation	Retirement				#35	SSMID
-	1,178,210	797,557	18,127	2,494,522	4,024,036	-	-	-	-
3,488,554	118,915	80,496	1,829	251,769	406,141	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
400,884	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	44,486	30,072	43,651	102,000
43,765	-	-	-	-	-	-	-	-	-
3,933,203	1,297,125	878,053	19,956	2,746,291	4,430,177	44,486	30,072	43,651	102,000
-	-	-	-	-	-	22,025	16,353	10,572	-
-	-	-	-	-	-	-	-	-	76,760
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,334,130	-	-	-	-	-	-	-	-	-
1,334,130	-	-	-	-	-	22,025	16,353	10,572	76,760
2,599,073	1,297,125	878,053	19,956	2,746,291	4,430,177	22,461	13,719	33,079	25,240
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	(1,335,659)	(823,950)	(1,124)	(2,374,500)	(4,495,493)	-	-	-	-
-	(1,335,659)	(823,950)	(1,124)	(2,374,500)	(4,495,493)	-	-	-	-
2,599,073	(38,534)	54,103	18,832	371,791	(65,316)	22,461	13,719	33,079	25,240
4,752,913	437,259	23,288	12,244	955,773	913,818	56,573	96,063	235,309	42,775
7,351,986	398,725	77,391	31,076	1,327,564	848,502	79,034	109,782	268,388	68,015

City of Council Bluffs

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

Year ended June 30, 2009

	Special Revenue						Retirees - 411 Benefits
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	Fire Pension	
Revenues:							
Property tax	-	-	-	-	-	8,569	1,949
Other city tax	-	-	-	-	-	871	-
Licenses and permits	-	-	-	-	-	-	-
Use of money and property	836	6,149	4,058	14,847	117	-	-
Intergovernmental	-	-	-	-	741,691	-	-
Charges for service	-	-	-	-	11,502	-	-
Special and drainage assessments	-	-	-	-	-	-	-
Miscellaneous	-	193,537	-	-	1,541,513	1,837	-
Total revenues	836	199,686	4,058	14,847	2,294,823	11,277	1,949
Expenditures:							
Operating:							
Public safety	-	-	-	-	44,504	12,713	-
Public works	-	-	-	-	-	-	-
Health and social services	-	-	-	-	3,405	-	-
Culture and recreation	-	191,688	-	-	182,419	-	-
Community and economic development	-	-	-	-	39,132	-	-
General government	-	-	-	-	624,727	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	-	191,688	-	-	894,187	12,713	-
Excess (deficiency) of revenues over (under) expenditures	836	7,998	4,058	14,847	1,400,636	(1,436)	1,949
Other financing sources (uses):							
Capital lease purchase agreement	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	19,018	-	-
Operating transfers out	-	-	-	-	(1,276,397)	-	-
Total other financing sources (uses)	-	-	-	-	(1,257,379)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	836	7,998	4,058	14,847	143,257	(1,436)	1,949
Fund balances beginning of year	26,898	202,603	130,270	281,970	966,730	-	-
Fund balances end of year	27,734	210,601	134,328	296,817	1,109,987	(1,436)	1,949

See accompanying independent auditor's report.

		Permanent	
		Fairview	
		Cemetery	
		Perpetual	
Police	Total	Care	Total
-	9,012,367	-	9,012,367
-	4,397,969	-	4,397,969
-	41,985	-	41,985
-	26,136	-	26,136
-	7,563,892	-	7,563,892
48	87,615	-	87,615
-	220,241	-	220,241
-	2,284,892	-	2,284,892
48	23,635,097	-	23,635,097
48	106,655	-	106,655
-	5,493,175	-	5,493,175
-	3,405	-	3,405
-	374,107	-	374,107
-	2,555,769	-	2,555,769
-	983,210	-	983,210
-	1,334,130	-	1,334,130
48	10,850,451	-	10,850,451
-	12,784,646	-	12,784,646
-	120,302	-	120,302
-	1,438,030	815	1,438,845
-	(10,860,099)	-	(10,860,099)
-	(9,301,767)	-	(9,300,952)
-	3,482,879	815	3,483,694
245	14,687,215	59,105	14,746,320
245	18,170,094	59,920	18,230,014

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

June 30, 2009

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 708,799	523,335	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Total assets	<u>708,799</u>	<u>523,335</u>	<u>-</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	412,951
Total liabilities	<u>-</u>	<u>-</u>	<u>412,951</u>
<b>Net Assets</b>			
Unrestricted	<u>\$ 708,799</u>	<u>523,335</u>	<u>(412,951)</u>

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
540,885	436,753	111,625	2,321,397
252,693	-	-	252,693
412,951	-	-	412,951
1,206,529	436,753	111,625	2,987,041
787,493	724	-	788,217
-	-	-	412,951
787,493	724	-	1,201,168
419,036	436,029	111,625	1,785,873

City of Council Bluffs

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

Year ended June 30, 2009

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
Operating revenues:			
Charges for service:			
Reimbursements from operating funds	\$ 91,451	300,000	633,000
Reimbursements from retired employees	-	-	-
Reimbursements from current employees	-	-	-
	91,451	300,000	633,000
Miscellaneous	-	-	923
Total operating revenues	91,451	300,000	633,923
Operating expenses:			
Governmental activities:			
Public safety	-	-	55,452
Public works	-	118,159	274,093
Health and social services	-	-	18,993
Culture and recreation	-	-	228,792
Community and economic development	-	-	6,440
General government	-	-	122,910
Business type activities	-	-	384,887
Total operating expenses	-	118,159	1,091,567
Operating income (loss)	91,451	181,841	(457,644)
Nonoperating revenues:			
Interest income	-	-	78
Net income (loss)	91,451	181,841	(457,566)
Net assets beginning of year	617,348	341,494	44,615
Net assets end of year	\$ 708,799	523,335	(412,951)

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,536,926	500,004	100,000	7,161,381
276,895	-	-	276,895
430,585	-	-	430,585
6,244,406	500,004	100,000	7,868,861
11,957	-	1,500	14,380
6,256,363	500,004	101,500	7,883,241
3,470,391	370,679	-	3,896,522
618,552	-	-	1,010,804
79,695	-	-	98,688
289,353	-	166,950	685,095
129,963	-	-	136,403
1,391,952	-	-	1,514,862
864,379	-	-	1,249,266
6,844,285	370,679	166,950	8,591,640
(587,922)	129,325	(65,450)	(708,399)
31,125	-	-	31,203
(556,797)	129,325	(65,450)	(677,196)
975,833	306,704	177,075	2,463,069
419,036	436,029	111,625	1,785,873

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

Year ended June 30, 2009

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance
Cash flows from operating activities:			
Cash received from customers and users	\$ 91,451	300,000	633,000
Cash received from other sources	-	-	85,853
Cash paid to suppliers	-	(118,159)	(1,114,702)
Net cash provided by (used for) operating activities	<u>91,451</u>	<u>181,841</u>	<u>(395,849)</u>
Cash flows from noncapital financing activities:			
Deficit cash implicitly financed	-	-	395,457
Cash flows from investing activities:			
Interest on investments	-	-	392
Net increase (decrease) in cash and cash equivalents	91,451	181,841	-
Cash and cash equivalents beginning of year	617,348	341,494	-
Cash and cash equivalents end of year	<u>\$708,799</u>	<u>523,335</u>	<u>-</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 91,451	181,841	(457,644)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	-	-	84,930
Increase (decrease) in accounts payable	-	-	(23,135)
Total adjustments	<u>-</u>	<u>-</u>	<u>61,795</u>
Net cash provided by (used for) operating activities	<u>\$ 91,451</u>	<u>181,841</u>	<u>(395,849)</u>

See accompanying independent auditor's report.

Iowa Governmental Health Care Plan	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
5,952,466	500,004	100,000	7,576,921
282,397	-	1,500	369,750
(6,256,792)	(378,073)	(166,950)	(8,034,676)
(21,929)	121,931	(65,450)	(88,005)
(395,457)	-	-	-
40,960	-	-	41,352
(376,426)	121,931	(65,450)	(46,653)
917,311	314,822	177,075	2,368,050
540,885	436,753	111,625	2,321,397
(587,922)	129,325	(65,450)	(708,399)
(21,500)	-	-	63,430
587,493	(7,394)	-	556,964
565,993	(7,394)	-	620,394
(21,929)	121,931	(65,450)	(88,005)

**Schedule 6**

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## City of Council Bluffs

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

Year ended June 30, 2009

	Firemen's Pension	411 Benefits	Total
Additions:			
Miscellaneous	\$ -	133,034	133,034
Deductions:			
Benefits and refunds paid to plan members	1,837	-	1,837
Change in net assets held in trust for employee benefits	(1,837)	133,034	131,197
Net assets held in trust for employee benefits beginning of year	1,837	(133,034)	(131,197)
Net assets held in trust for employee benefits end of year	\$ -	-	-

See accompanying independent auditor's report.

## City of Council Bluffs

Combining Schedule of Fiduciary Net Assets  
Agency Funds

June 30, 2009

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
<b>Assets</b>				
Cash and pooled investments	\$ 10,000	10,000	87	20,087
Accounts receivable	-	-	244	244
Due from other governments	-	92,813	-	92,813
<b>Total assets</b>	<b>\$ 10,000</b>	<b>102,813</b>	<b>331</b>	<b>113,144</b>
<b>Liabilities</b>				
Due to other governments	\$ -	4,029	-	4,029
Trusts payable	10,000	98,784	331	109,115
<b>Total liabilities</b>	<b>\$ 10,000</b>	<b>102,813</b>	<b>331</b>	<b>113,144</b>

See accompanying independent auditor's report.

**Schedule 8**

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## City of Council Bluffs

Combining Schedule of Changes in Trusts Payable  
Agency Funds

Year ended June 30, 2009

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
Additions:				
Trusts received	\$ -	808,928	6,350	815,278
Deductions:				
Agency remittances:				
Trusts paid out	-	769,254	6,400	775,654
Change in net assets	-	39,674	(50)	39,624
Balances beginning of year	10,000	63,139	381	73,520
Balances end of year	\$ 10,000	102,813	331	113,144

See accompanying independent auditor's report.

## City of Council Bluffs

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

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
Revenues:							
Property tax	\$ 33,308,384	31,830,399	30,233,157	28,381,903	26,346,058	24,963,919	23,656,726
Tax increment financing	4,983,734	3,548,580	1,384,337	1,230,247	902,756	794,607	970,564
Other city tax	13,203,713	13,325,303	11,720,071	11,413,261	12,687,008	12,023,106	10,537,000
Licenses and permits	3,345,559	3,455,394	3,510,264	1,051,748	1,176,222	982,507	898,554
Use of money and property	1,422,391	1,795,827	2,073,470	1,624,075	818,897	388,327	743,139
Intergovernmental	10,693,866	16,273,844	12,020,294	12,479,002	12,739,275	12,374,149	12,591,692
Charges for service	3,827,025	3,298,632	3,317,768	3,818,793	3,284,574	3,145,863	3,352,793
Special and drainage assessments	220,241	210,925	203,542	111,622	1,034	1,374	1,789
Miscellaneous	6,319,096	7,756,828	10,863,550	11,684,492	6,591,318	4,401,510	10,421,653
<b>Total</b>	<b>\$ 77,324,009</b>	<b>81,495,732</b>	<b>75,326,453</b>	<b>71,795,143</b>	<b>64,547,142</b>	<b>59,075,362</b>	<b>63,173,910</b>
Expenditures:							
Operating:							
Public safety	\$ 24,800,095	24,185,898	24,010,444	23,582,483	22,882,165	21,331,574	20,553,454
Public works	6,974,369	7,113,721	6,826,252	8,313,984	9,706,538	10,796,327	7,063,654
Health and social services	515,800	503,210	488,102	508,110	1,196,578	1,429,313	1,212,027
Culture and recreation	7,180,312	5,685,981	5,349,274	5,219,482	4,602,801	4,629,009	5,541,315
Community and economic development	5,181,333	4,144,240	3,481,043	22,419,715	5,027,689	2,914,913	2,732,121
General government	9,146,234	9,620,991	9,426,637	5,298,251	4,967,337	5,375,981	4,323,001
Debt service	12,147,426	11,777,883	11,006,109	9,834,396	15,304,432	7,889,109	10,535,859
Capital projects	19,216,601	21,197,403	21,149,556	18,272,003	12,150,551	8,498,096	20,248,881
<b>Total</b>	<b>\$ 85,162,170</b>	<b>84,229,327</b>	<b>81,737,417</b>	<b>93,448,424</b>	<b>75,838,091</b>	<b>62,864,322</b>	<b>72,210,312</b>

See accompanying independent auditor's report.

**Schedule 10**

City of Council Bluffs

Schedule of Expenditures of Federal Awards - Revised

Year ended June 30, 2009

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 (\$193,902 provided to subrecipients)	14.218	B-08-MC-19-0005	<u>\$ 836,988</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-IA-0286	43,570
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-08-SP-IA-0521	<u>121,487</u>
			<u>165,057</u>
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0367	<u>40,830</u>
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98763701-0	6,796
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98763801-0	4,897
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98796701-0	6,335
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98796801-0	<u>8,713</u>
			<u>26,741</u>
Total direct			<u>1,069,616</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Home Investment Partnership Program	14.239	04-HM-135-64	<u>530,000</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Community Prosecution and Project Safe Neighborhoods	16.609	06-SD06	10,557
Community Prosecution and Project Safe Neighborhoods	16.609	07-SD06	<u>39,638</u>
			<u>50,195</u>
Edward Byrne Memorial Formula Grant Program	16.738	08JAG/C06-A06	<u>22,706</u>
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-1642(650)-8J-78	400,884
Highway Planning and Construction	20.205	STP-U-1642(644)--70-78	167,841
Highway Planning and Construction	20.205	STP-U-1642(647)-70-78	560,331
Highway Planning and Construction	20.205	HDP-1642(645)71-78	<u>254,516</u>
			<u>1,383,572</u>
Omaha Metro Area Transit:			
Federal Transit - Formula Grants	20.507	NE-90-X066-02	<u>276,525</u>
Iowa Department of Transportation:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	IA-16-X001-164-09	<u>17,180</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 08-02, Task 02	16,855
State and Community Highway Safety	20.600	PAP 09-02, Task 02	<u>10,796</u>
			<u>27,651</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		<u>6,362</u>

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards - Revised  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		1,404
Performance Partnership Grants	66.605		<u>2,230</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2008-TB10	<u>525</u>
Immunization Grants	93.268	5888I420	9,111
Immunization Grants	93.268	5889I420	<u>25,033</u>
			<u>34,144</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2009-ELC08	900
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2010-ELC08	<u>220</u>
			<u>1,120</u>
HIV Prevention Activities Health Department Based	93.940	5888AP05	1,955
HIV Prevention Activities Health Department Based	93.940	5889AP05	4,444
HIV Prevention Activities Health Department Based	93.940	5888AP21	3,026
HIV Prevention Activities Health Department Based	93.940	5889AP21	<u>17,262</u>
			<u>26,687</u>
Preventive Health and Health Services Block Grant	93.991	5889AP05	<u>5,081</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Department of Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1705-DRIA	106,860
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	<u>1,651,407</u>
			<u>1,758,267</u>
Cerro Gordo/Franklin County Emergency Management Agency: Homeland Security Grant Program	97.067	2006-GE-T6-0065-007	<u>75,836</u>
Total indirect			<u>4,219,485</u>
Total			<u>\$ 5,289,101</u>

The Community Development Block Grant/Section 108 Loan Guarantees Program, CFDA Number 14.248, includes the balance of loans from previous years of \$735,000 for which the federal government imposed continuing requirements.

**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.

The Schedule of Expenditures of Federal Awards (SEFA) has been restated to include \$435,000 of expenditures for CFDA Number 14.239, Home Investment Partnership Program, that were originally inadvertently excluded.

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

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 2, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit, as described in our report on the City of Council Bluffs' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described as item II-A-09 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 2, 2010

**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**

**City of Council Bluffs**



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

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Council Bluffs, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 the 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, 2009.

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.

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

A control deficiency in the City's internal control over compliance exists when the design or preparation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a 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 noncompliance 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

The City of Council Bluffs' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Council Bluffs' response and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 2, 2010, except for Schedule 10,  
as to which the date is December 21, 2010.

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
  - CFDA Number 14.239 – Home Investment Partnership Program
  - CFDA Number 20.507 – Federal Transit – Formula Grants
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (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, 2009

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Financial Reporting – During the audit, we identified material amounts of receivables and capital assets not recorded in the City’s financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

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

Response – The City of Council Bluffs is transitioning from the cash basis of accounting to the accrual basis of accounting for the fiscal year ending June 30, 2010. Doing so will result in revenue being recorded at the time of billing rather than the time of cash receipt. This will significantly reduce the likelihood of not recording accounts receivable at the time the revenue is earned. This will also increase the likelihood the acquisition of a capital asset will be recorded at the time of receipt of the asset rather than at the time of payment. In addition, the material capital asset noted in the finding represents a unique situation in which the City acquired ownership of a portion of a capital asset via contract terms rather than via cash disbursements. Accordingly, special care will be exercised in the event similar circumstances arise in the future.

Conclusion – Response accepted.

II-B-09 Evidence of Review of Reconciliations – Independent reviews of the City’s monthly sanitation system reconciliations of receivables, billings and collections were not evidenced by the reviewer’s initials and date of review.

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

Response – The City of Council Bluffs staff members having responsibility to document review of sanitation activity will take proper due care to document their timely review. In addition, the City Treasurer is reviewing the current processes to determine if improvements and/or efficiencies to the review process for sanitation billing and collection operations can be made.

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, 2009

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

III-A-09 Financial Reporting – A material federal award not recorded in the City’s Schedule of Expenditures of Federal Awards (SEFA) was identified. An adjustment was made to properly include this award in the SEFA.

Recommendation – The City should implement procedures to ensure all federal awards are properly included in the City’s Schedule of Expenditures of Federal Awards.

Response and Corrective Action Planned – The City Controller has been assigned the responsibility of preparing schedules of expenditures of federal awards for inclusion in the financial reporting package. To ensure all awards are properly included in the schedules prepared by the City Controller, the Finance Director will review the schedules to ensure all awards are reported. This procedure takes effect for fiscal years beginning July 1, 2010 and thereafter.

Conclusion – Response accepted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 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-09 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-E-09 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-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-09 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-09 Financial Condition – At June 30, 2009, the following funds had deficit balances:

<u>Fund</u>	<u>June 30, 2009 Balance</u>
Special Revenue:	
Tax Increment Financing	\$ (978,423)
Fire Pension	(1,436)
Internal Service:	
Workers' Compensation Self Insurance	(412,951)

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

Response – The negative balance within the Mid America Center Tax Increment Financing (TIF) district is scheduled to be reduced and ultimately eliminated over time as TIF revenue is received and applied to the debt of the district. The City has reviewed and adjusted the benefit tax levy rates for fiscal year 2011 to a level believed satisfactory to fund the deficit Special Revenue, Fire Pension Fund. The Internal Service, Workers' Compensation Self Insurance Fund deficit balance will be eliminated through future contributions from the City's operating funds.

Conclusion – Response accepted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-I-09 Annual Financial Report – The City’s annual financial report was prepared and filed timely for the year ended June 30, 2009. However, the report contained a material amount reported in an incorrect function.

Recommendation – The annual financial report should be amended to correct this material misclassification.

Response – The material variance cited results from a decision to classify equipment maintenance costs within the public works department as “public works” costs rather than “general government” costs when reporting costs for the fiscal year ended June 30, 2009. In prior years, the equipment maintenance costs have been reported on the annual report as general government costs. Our decision to classify these costs as public works rather than general government costs is based on these factors: (1) the operations of this department involve repair to equipment used in maintaining streets, signs and other infrastructure related to public works, (2) the staff of this department report to the director of public works, (3) funding for this department’s operations come from road use tax. We believe we reported results of operations properly on the annual financial report and the corrective action most applicable to this finding is to review and adjust the account number for this cost center so future reports can be expediently prepared directly from general ledger information without a great deal of manual preparation.

Conclusion – Response accepted.

IV-J-09 Iowa Department of Natural Resources SWAP Loan – The City did not publish notice of or hold a public hearing prior to entering into a loan agreement with the Iowa Department of Natural Resources to purchase certain equipment for the Recycling Department as required by Chapters 384.24A(5) and 384.83 of the Code of Iowa.

Recommendation – The City should comply with Chapters 384.24A(5) and 384.83 of the Code of Iowa prior to entering into future loan agreements payable from a City enterprise.

Response – The referenced transaction arose in the fiscal year ended June 30, 2008 when City finance representatives recorded both the forgivable and non-forgivable debt as a grant rather than both a grant and establishment of debt. By using the cash basis of accounting for internal reporting purposes, the transaction was not recorded as a liability at the time of the transaction. The City of Council Bluffs is adopting the accrual method of accounting for all financial reporting purposes for the fiscal year ending June 30, 2010. This adoption and greater Finance Department involvement over similar transactions should minimize the likelihood of this type finding in the future.

Conclusion – Response accepted.

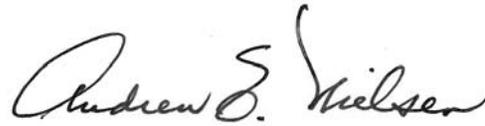
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City of Council Bluffs

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Michael P. Piehl, Senior Auditor  
Michael R. Field, Staff Auditor  
Dorothy O. Stover, Staff Auditor  
Tiffany M. Ainger, Staff Auditor  
Joshua A. Pronk, Assistant Auditor  
Ashley Mollicone, Audit Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State