



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 9, 2005

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

The City's revenues totaled \$142,418,173 for the year ended June 30, 2004, an 82 percent increase from the prior year. Revenues included \$34,177,797 in property tax, \$794,607 from tax increment financing, \$14,952,046 from charges for service, \$8,448,969 from operating grants, contributions and restricted interest, \$75,539,642 from capital grants, contributions and restricted interest, \$6,526,100 from local option sales tax, \$198,245 from unrestricted investment earnings and \$1,780,767 from other general revenues.

Expenses for City operations totaled \$54,144,338, a 12 percent decrease from the prior year, and included \$21,798,898 for public safety, \$10,280,196 for public works and \$3,860,420 for culture and recreation. Expenses for business type activities totaled \$8,675,746.

Approximately \$65 million of the increase in revenues is due to capital contributions related to the Mid-America Center (MAC). Ownership of the MAC was transferred to the City from the Council Bluffs Community Betterment Foundation during the year ended June 30, 2004.

A copy of the audit report is available for review in the Office of Auditor of State and the City Finance Director's office.

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CITY OF COUNCIL BLUFFS
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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City of Council Bluffs

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Thomas Hanafan	Mayor	Jan 2006
Scott Belt	Mayor Pro tem	Jan 2006
Chad Primmer	Council Member	Jan 2004
Emil Pavich	Council Member	Jan 2004
Matt Walsh	Council Member	Jan 2004
David Tobias	Council Member	Jan 2006
Terry Mauer	Director of Finance and Personnel	Indefinite
Linda Jensen	Assistant Finance Director	Indefinite
Janet Obrecht	Internal Auditor	Indefinite
Cheryl Puntaney	City Clerk	Indefinite
Rita Milner	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite
(After January 2004)		
Thomas Hanafan	Mayor	Jan 2006
Scott Belt	Mayor Pro tem	Jan 2006
David Tobias	Council Member	Jan 2006
Lynne Branigan	Council Member	Jan 2008
Chad Primmer	Council Member	Jan 2008
Matt Walsh	Council Member	Jan 2008
Terry Mauer	Director of Finance and Personnel	Indefinite
Linda Jensen	Assistant Finance Director	Indefinite
Janet Obrecht	Internal Auditor	Indefinite
Cheryl Puntaney	City Clerk	Indefinite
Rita Milner	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Council Bluffs Airport Authority, is based solely upon the report of the other auditors.

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

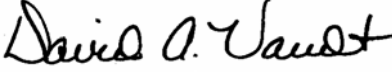
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2004, 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.

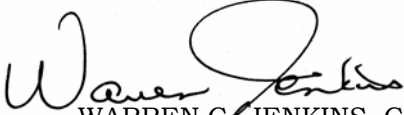
As described in Note 17 to the financial statements, during the year ended June 30, 2004, the City of Council Bluffs adopted Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

In accordance with Government Auditing Standards, we have also issued our reports dated November 23, 2004 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed 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 year ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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

November 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. 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, 2004 by \$227,645,702. Of this amount \$10,611,163 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$88,273,835 during the year. The net assets associated with governmental activities increased \$80,139,679 and the net assets associated with business type activities increased by \$8,134,156. Approximately \$65 million of the increase in net assets was due to the completion of the Mid-America Center (MAC) which is a 7,500 seat, 300,000 square foot arena and convention complex transferred to the City by the Council Bluffs Community Betterment Foundation.
- The City's long-term debt decreased to \$58,217,546 during the year, an overall reduction of \$1,402,018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, street and sewer networks, buildings and improvements, and equipment), less any related debt used to acquire those assets that 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, 2004 and 2003.

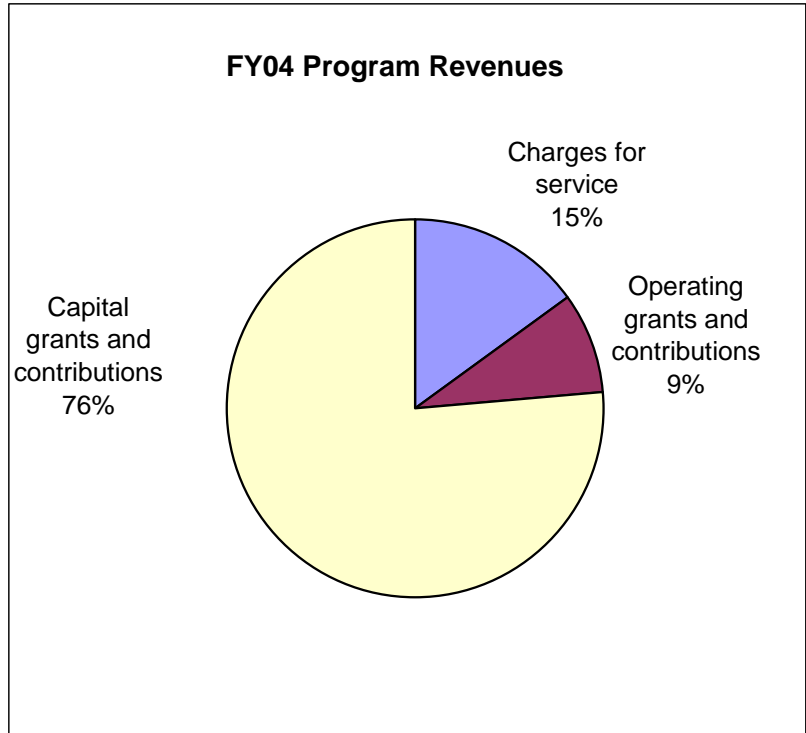
	Governmental		Business		Total	
	Activities		Type			
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 54,510,177	56,358,193	5,625,777	6,538,459	60,135,954	62,896,652
Capital assets	182,721,633	111,052,039	74,618,366	62,210,419	257,339,999	173,262,458
Total assets	237,231,810	167,410,232	80,244,143	68,748,878	317,475,953	236,159,110
Long-term liabilities	56,046,902	56,847,379	2,170,464	2,772,185	58,217,366	59,619,564
Other liabilities	30,765,872	30,604,654	847,013	891,228	31,612,885	31,495,882
Total liabilities	86,812,774	87,452,033	3,017,477	3,663,413	89,830,251	91,115,446
Net assets:						
Invested in capital assets, net of related debt	132,289,727	62,629,175	72,636,253	59,608,846	204,925,980	122,238,021
Restricted	12,108,559	11,920,411	-	-	12,108,559	11,920,411
Unrestricted	6,020,750	5,408,613	4,590,413	5,476,619	10,611,163	10,885,232
Total net assets	\$ 150,419,036	79,958,199	77,226,666	65,085,465	227,645,702	145,043,664

Net assets of governmental activities increased from FY 2003, as restated, by approximately \$80.1 million, or 114%. Again, this was due in part to the completion of the arena. Net assets of business type activities increased from FY 2003, as restated, by approximately \$8.1 million, or 12%. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$10.6 million.

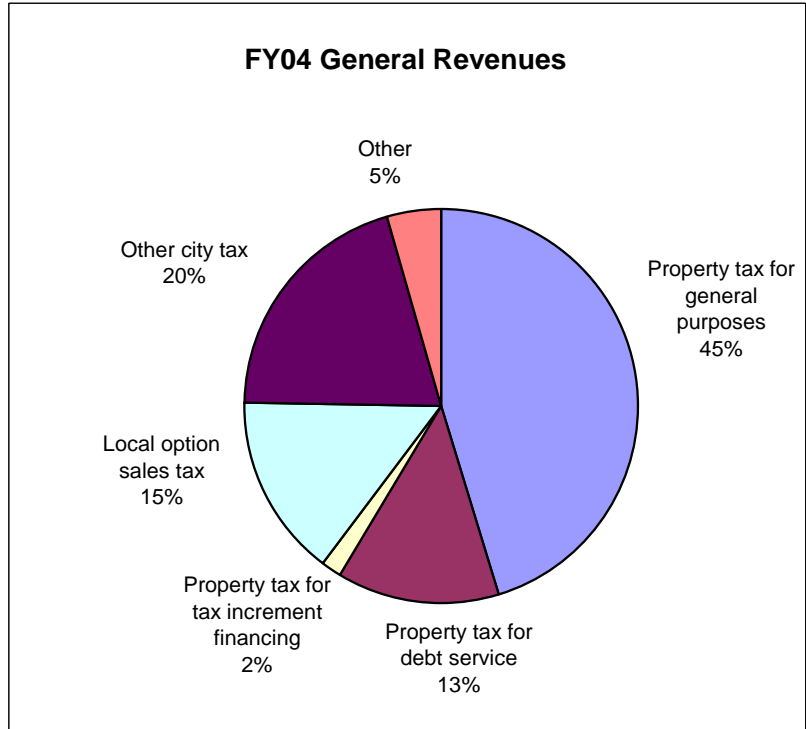
Total revenue reported for the primary government for the year ended June 30, 2004 was \$142,418,173. The following table breaks down revenues and transfers for governmental activities and business type activities for the fiscal years ended June 30, 2004 and 2003:

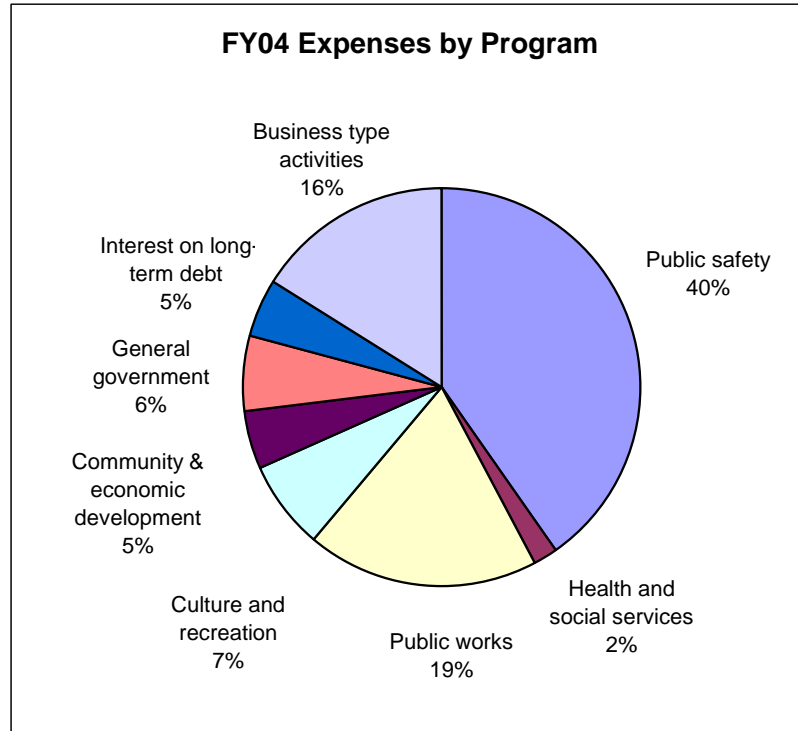
	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program revenues:						
Charges for service	\$ 7,247,104	7,172,323	7,704,942	7,512,752	14,952,046	14,685,075
Operating grants and contributions	8,383,880	8,639,826	65,089	83,443	8,448,969	8,723,269
Capital grants and contributions	72,109,552	10,625,719	3,430,090	1,370,816	75,539,642	11,996,535
Total program revenues	87,740,536	26,437,868	11,200,121	8,967,011	98,940,657	35,404,879
General revenues and transfers:						
Property tax levied for:						
General purposes	19,663,475	20,302,008	-	-	19,663,475	20,302,008
Debt service	5,797,342	5,519,582	-	-	5,797,342	5,519,582
Tax increment financing	794,607	970,564	-	-	794,607	970,564
Local option sales tax	2,815,048	1,846,132	3,711,052	4,387,397	6,526,100	6,233,529
Other city tax	8,716,980	6,668,979	-	-	8,716,980	6,668,979
Grants and contributions not restricted for specific purpose	22,569	299,715	-	-	22,569	299,715
Unrestricted investment earnings	198,245	556,323	-	-	198,245	556,323
Miscellaneous	1,941,075	713,492	627,339	901,321	2,568,414	1,614,813
Gain (loss) on disposal of capital assets	-	511,229	(810,216)	(9,599)	(810,216)	501,630
Transfers	(2,081,606)	(474,732)	2,081,606	474,732	-	-
Total general revenues and transfers	37,867,735	36,913,292	5,609,781	5,753,851	43,477,516	42,667,143
Total revenues and transfers	\$ 125,608,271	63,351,160	16,809,902	14,720,862	142,418,173	78,072,022

Program revenues totaled \$98,940,657 for the year ended June 30, 2004. Governmental activities provided \$87,740,536 and business type activities provided \$11,200,121. Revenue from charges for service during fiscal year 2004 was \$14,952,046 accounting for approximately 15% of the total program revenues. The following charts break down revenues by source:



General revenues for the year ended June 30, 2004 totaled \$43,477,516. Governmental activities provided \$37,867,735 and business type activities provided \$5,609,781. Property and other city tax revenues for FY 2004 totaled \$41,498,504, accounting for 95% of general revenues. The following chart illustrates general revenue by source:





Expenses for the primary government for the year ended June 30, 2004 totaled \$54,144,338. Expenses for governmental activities totaled \$45,468,592, accounting for 84% of total expenses. Business type activities expenses totaled \$8,675,746, or 16% of the total. The following table shows total expenses by function/program for the years ended June 30, 2004 and 2003.

Function/Program	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Public safety	\$ 21,798,898	21,542,479	-	-	21,798,898	21,542,479
Public works	10,280,196	11,953,260	-	-	10,280,196	11,953,260
Health and social services	1,068,002	1,270,429	-	-	1,068,002	1,270,429
Culture and recreation	3,860,420	4,695,620	-	-	3,860,420	4,695,620
Community & economic development	2,596,923	3,883,871	-	-	2,596,923	3,883,871
General government	3,324,701	4,474,883	-	-	3,324,701	4,474,883
Non-program	-	1,821,664	-	-	-	1,821,664
Interest on long-term debt	2,539,452	2,738,539	-	-	2,539,452	2,738,539
Business type activities	-	-	8,675,746	8,917,904	8,675,746	8,917,904
Total expenses	\$ 45,468,592	52,380,745	8,675,746	8,917,904	54,144,338	61,298,649

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

Function/Program	Activity
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

Overall, expenses were reduced by \$7,145,311, which is a 12% reduction from FY 2003.

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense) revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for public safety, the City spent \$21,798,898 and received \$2,636,912 in revenue, leaving a cost to taxpayers of \$19,161,986, an increase of 5.29% over FY 2003, to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-sustaining through fees or grants.

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

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 \$45,468,592. Of these costs, \$7,247,104 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with operating and capital grants and contributions were \$80,493,432, leaving a net revenue of \$42,271,944 for governmental activities. These expenses were financed by tax revenues, interest and other general revenues. The Statement of Activities provides further detail. The net (expense) revenue by governmental activity is shown in following table:

Governmental activities	Net (Expense) Revenue and Changes in Net Assets	
	2004	2003
Function/Program:		
Public safety	\$ (19,161,986)	(18,198,384)
Public works	2,410,294	(6,674,053)
Health and social services	(594,884)	(942,364)
Culture and recreation	(2,126,230)	3,979,217
Community & economic development	64,766,368	1,532,730
General government	(529,000)	(2,562,487)
Non-program	-	(338,997)
Interest on long-term debt	(2,492,618)	(2,738,539)
Net (expense) revenue of governmental activities	42,271,944	(25,942,877)
General revenues & transfers	37,867,735	36,913,292
Change in net assets	\$ 80,139,679	10,970,415

Resources available during the year to finance governmental activities totaled \$195,887,628, consisting of net assets at July 1, 2003 of \$70,279,357, program revenues of \$87,740,536 and general revenues of \$37,867,735. During the year, governmental activities expenses totaled \$45,468,592. As a result, governmental activities net assets increased by \$80,139,679 to \$150,419,036.

Business Type Activities

The cost of all business type activities for the year was \$8,675,746 as shown in the Statement of Activities. The amount charged to the users of the systems was \$7,704,942, and \$3,495,179 was funded from grants and contributions, resulting in total net revenue for business type activities of \$2,524,375. The net (expense) revenue by business type activity for the year ended June 30, 2004 is shown in the following table:

Business Type Activities	Net (Expense) Revenue and Changes in Net Assets	
	2004	2003
Sewer	\$ 2,684,715	268,277
Other non-major	(160,340)	(219,170)
Total net (expense) revenue	2,524,375	49,107
General revenues and transfers	5,609,781	5,753,851
Change in net assets	\$ 8,134,156	5,802,958

Resources available during the year to finance business type activities totaled \$85,902,412, consisting of net assets, as restated, at July 1, 2003 of \$69,092,510, program revenues of \$11,200,121 and general revenues of \$5,609,781. During the year, business type activities expenses totaled \$8,675,746. As a result, business type activities net assets increased by \$8,134,156, due mainly to \$3,711,052 from local option sales tax and transfers of \$2,081,606.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance 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 \$20,977,615. The combined governmental fund balance decreased \$1,370,566 from the prior year, after the effect of restating the Library Foundation.

The balances of the General and Capital Projects Funds decreased minimally from the prior year end, while the City Insurance Fund had a slight increase. The Debt Service Fund balance decreased \$610,723 from the prior year end due to retirement of certain bonds and notes and reclassification of certain accounts to Special Revenue Funds. The total of the balances of the other nonmajor governmental funds decreased by a net amount of \$552,665.

BUDGETARY HIGHLIGHTS

The City amended the budget once in May, 2004. The amendment was made to include higher costs for transit and equipment, as well as additional construction costs for various capital projects funded via local option sales tax, grants and gaming proceeds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, building 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, 2004 were \$257,339,999 (net of accumulated depreciation). See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities completed during the year include work on the Police Technology Upgrade, FEMA Project Impact, Carnegie Library Museum and completion of the Mid-America Center (MAC), which comprised over \$65 million of the current year additions. The majority of the equipment acquired pertained to the MAC, as well as vehicles and equipment for the Public Safety Program, which includes the Police and Fire Department.

For business type activities, sewer projects completed include the 23rd Avenue Storm Water Station, 29th Avenue Outfall Sewer and the 29th Avenue Sani Sewer Phase IV.

Construction in progress at June 30, 2004 includes the Avenue G Viaduct, Greenview Pump Station, East Manawa Parkway, US275/24th St SRW Improvement Phase II and South 18th Street Improvement. These projects are funded with local option sales tax revenues, debt proceeds and federal and state grants.

Long-term Debt

At June 30, 2004, the City had \$56.4 million in bonds and notes outstanding versus \$57.8 million last year. The City's general obligation bond rating continues 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 various capital improvements in the City.

Both the City's direct and overall debt burdens of 2.3% and 3.7%, respectively, are average and the retirement of debt is rapid, with 92% retired in ten years and all debt retired within fifteen years. The City's capital improvement plan is structured such that the City's annual borrowings approximate or are less than the amounts being retired on an annual basis. Consequently, the City's debt burden is expected to decline, given expected continuation of tax base growth, rapid principal amortization and modest future debt plans of approximately \$4 million annually.

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

ECONOMIC FACTORS

The City's tax base has grown moderately, averaging 5.5% annually over the past three years. Due to budget cuts, City officials are taking a conservative approach to future spending. While these are difficult economic times, gaming revenues, along with new residential development and expansion of the City's retail centers, have diversified the tax base. Nevertheless, the gaming industry remains a dominant economic factor, comprising nearly 9% of the City's taxable valuation and a large percentage of the labor force.

Sales tax revenue continues to increase due to additional retail and commercial establishments opening in FY 2004. Local option sales tax revenue increased by \$292,571 for FY 2004 and is expected to continue rising. Best Buy opened its doors subsequent to June 30, 2004 and several more retail stores will open over the next six months.

Building permits increased in total valuation for calendar year 2004 by \$8 million to \$107.8 million. The number of permits increased to 3,574 from 3,359 in the prior year. The increase in building permit activity and associated valuation indicates continued growth in the taxbase.

Another indication of improving economics is the increase in hotel/motel tax collections. It has increased steadily by \$100,000 a year. The improvement is due to more hotels being built and more events drawing patrons from out of town. The increase in revenues is projected to continue into the near future.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Council Bluffs
Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 20,531,358	3,555,229	24,086,587
Receivables:			
Property tax:			
Delinquent	689,448	-	689,448
Succeeding year	27,057,000	-	27,057,000
Tax increment financing	13,137	-	13,137
Accounts (net of \$46,500 allowance for uncollectible accounts in the General Fund)	1,568,039	71,878	1,639,917
Special and drainage assessments	300,629	-	300,629
Customer accounts and unbilled usage	-	1,565,199	1,565,199
Accrued interest	1,364	-	1,364
Installment loans	833,733	-	833,733
Due from other governments	2,213,502	329,287	2,542,789
Inventories	833,508	80,146	913,654
Prepaid insurance	276,459	-	276,459
Total current assets	54,318,177	5,601,739	59,919,916
Noncurrent assets:			
Land held for resale	192,000	-	192,000
Capital assets (net of accumulated depreciation)	182,721,633	74,618,366	257,339,999
Bond/note issuance costs	-	24,038	24,038
Total noncurrent assets	182,913,633	74,642,404	257,556,037
Total assets	237,231,810	80,244,143	317,475,953
Liabilities			
Current liabilities:			
Accounts payable	2,458,163	656,188	3,114,351
Salaries and benefits payable	935,800	115,627	1,051,427
Accrued interest payable	204,205	-	204,205
Due to other governments	110,704	16,575	127,279
Deferred revenue:			
Succeeding year property tax	27,057,000	-	27,057,000
Other	-	58,623	58,623
Current portion due within one year:			
Notes payable	-	-	-
General obligation bonds/notes	6,152,500	637,500	6,790,000
Compensated absences	1,350,444	155,514	1,505,958
Total current liabilities	38,268,816	1,640,027	39,908,843
Noncurrent liabilities:			
Notes payable	-	-	-
General obligation bonds/notes	48,247,125	1,344,613	49,591,738
Compensated absences	296,833	32,837	329,670
Total noncurrent liabilities	48,543,958	1,377,450	49,921,408
Total liabilities	86,812,774	3,017,477	89,830,251

Component Units	
Airport Authority	Library Foundation
1,966,500	1,453,621
8,222	-
-	-
-	-
2,732	-
-	-
-	-
-	-
162,046	-
-	-
7,215	-
<u>2,146,715</u>	<u>1,453,621</u>
-	-
6,068,271	-
-	-
<u>6,068,271</u>	<u>-</u>
<u>8,214,986</u>	<u>1,453,621</u>
23,270	-
-	-
-	-
-	-
-	-
7,585	-
8,883	-
-	-
-	-
<u>39,738</u>	<u>-</u>
2,506,818	-
-	-
-	-
<u>2,506,818</u>	<u>-</u>
<u>2,546,556</u>	<u>-</u>

City of Council Bluffs
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	
Net Assets			
Invested in capital assets, net of related debt	132,289,727	72,636,253	204,925,980
Restricted for:			
Local option sales tax	1,985,056	-	1,985,056
Streets	1,933,257	-	1,933,257
Library	-	-	-
Debt service	1,549,446	-	1,549,446
Capital projects	3,484,349	-	3,484,349
Other purposes	3,156,451	-	3,156,451
Unrestricted	6,020,750	4,590,413	10,611,163
Total net assets	\$ 150,419,036	77,226,666	227,645,702

See notes to financial statements.

Component Units	
Airport Authority	Library Foundation
3,552,570	-
-	-
-	1,453,621
-	-
-	-
2,115,860	-
<u>5,668,430</u>	<u>1,453,621</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2004

Functions / Programs:	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental activities:				
Public safety	\$ 21,798,898	2,384,158	252,754	-
Public works	10,280,196	538,464	5,287,286	6,864,740
Health and social services	1,068,002	213,718	259,400	-
Culture and recreation	3,860,420	1,270,990	228,331	234,869
Community and economic development	2,596,923	149,325	2,309,275	64,904,691
General government	3,324,701	2,690,449	-	105,252
Interest on long-term debt	2,539,452	-	46,834	-
Total governmental activities	45,468,592	7,247,104	8,383,880	72,109,552
Business Type Activities:				
Sewer	5,568,417	4,811,661	13,381	3,428,090
Other	3,107,329	2,893,281	51,708	2,000
Total business type activities	8,675,746	7,704,942	65,089	3,430,090
Total primary government	\$ 54,144,338	14,952,046	8,448,969	75,539,642
Component Units:				
Airport Authority	\$ 448,527	96,070	-	2,075,913
Library Foundation	85,304	-	179,055	-
Total component units	\$ 533,831	96,070	179,055	2,075,913
General Revenues and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other city tax				
Grants and contributions not restricted for specific purposes				
Unrestricted investment earnings				
Loss on disposal of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Library Foundation	
(19,161,986)	-	(19,161,986)	-	-	
2,410,294	-	2,410,294	-	-	
(594,884)	-	(594,884)	-	-	
(2,126,230)	-	(2,126,230)	-	-	
64,766,368	-	64,766,368	-	-	
(529,000)	-	(529,000)	-	-	
(2,492,618)	-	(2,492,618)	-	-	
42,271,944	-	42,271,944	-	-	
-	2,684,715	2,684,715	-	-	
-	(160,340)	(160,340)	-	-	
-	2,524,375	2,524,375	-	-	
42,271,944	2,524,375	44,796,319	-	-	
-	-	-	1,723,456	-	
-	-	-	-	93,751	
-	-	-	1,723,456	93,751	
19,663,475	-	19,663,475	304,883	-	
5,797,342	-	5,797,342	-	-	
794,607	-	794,607	-	-	
2,815,048	3,711,052	6,526,100	-	-	
8,716,980	-	8,716,980	-	-	
22,569	-	22,569	-	-	
198,245	-	198,245	7,365	-	
-	(810,216)	(810,216)	-	-	
1,941,075	627,339	2,568,414	10,481	-	
(2,081,606)	2,081,606	-	-	-	
37,867,735	5,609,781	43,477,516	322,729	-	
80,139,679	8,134,156	88,273,835	2,046,185	93,751	
70,279,357	69,092,510	139,371,867	3,622,245	1,359,870	
\$ 150,419,036	77,226,666	227,645,702	5,668,430	1,453,621	

Exhibit C

City of Council Bluffs

Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue					Total
	General	City Insurance	Debt Service	Capital Projects	Nonmajor Governmental	
Assets						
Cash and pooled investments	\$ 4,177,673	112,234	1,612,902	7,127,470	5,424,594	18,454,873
Receivables:						
Property tax:						
Delinquent	368,739	75,579	139,492	-	105,638	689,448
Succeeding year	13,575,000	3,149,000	5,211,000	-	5,122,000	27,057,000
Tax increment financing	-	-	1,258	-	11,879	13,137
Accounts (net)	992,708	-	-	-	377,308	1,370,016
Special and drainage assessments	282,133	-	-	2,596	15,900	300,629
Accrued interest	1,364	-	-	-	-	1,364
Due from other funds	124,042	-	-	-	-	124,042
Due from other governments	667,752	-	-	671,142	798,975	2,137,869
Installment loans	-	-	-	-	833,733	833,733
Inventories	165,673	-	-	-	653,986	819,659
Prepaid insurance	276,459	-	-	-	-	276,459
Land held for resale	-	-	-	192,000	-	192,000
Total assets	\$ 20,631,543	3,336,813	6,964,652	7,993,208	13,344,013	52,270,229
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 299,928	-	-	510,115	804,054	1,614,097
Salaries and benefits payable	808,082	-	-	-	127,028	935,110
Due to other funds	-	-	-	-	94,384	94,384
Due to other governments	74,038	-	-	31,024	5,642	110,704
Deferred revenue:						
Succeeding year property tax	13,575,000	3,149,000	5,211,000	-	5,122,000	27,057,000
Other	923,471	35,597	57,903	366,251	98,097	1,481,319
Total liabilities	15,680,519	3,184,597	5,268,903	907,390	6,251,205	31,292,614
Fund balances:						
Reserved for:						
Inventories	165,673	-	-	-	653,986	819,659
Prepaid insurance	276,459	-	-	-	-	276,459
Encumbrances	11,294	-	-	-	-	11,294
Debt service	-	-	1,695,749	-	-	1,695,749
Noncurrent loan receivables	-	-	-	-	793,733	793,733
Permanent fund	-	-	-	-	59,105	59,105
Land held for resale	-	-	-	192,000	-	192,000
Unreserved:						
General fund	4,497,598	-	-	-	-	4,497,598
Special revenue funds	-	152,216	-	-	5,585,984	5,738,200
Capital projects fund	-	-	-	6,893,818	-	6,893,818
Total fund balances	4,951,024	152,216	1,695,749	7,085,818	7,092,808	20,977,615
Total liabilities and fund balances	\$ 20,631,543	3,336,813	6,964,652	7,993,208	13,344,013	52,270,229

See notes to financial statements.

City of Council Bluffs

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

June 30, 2004

Total governmental fund balances (page 24) \$ 20,977,615

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of capital assets, excluding internal service funds, is \$232,070,757 and the accumulated depreciation is \$49,350,079. 182,720,678

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,481,319

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. 1,486,961

Long-term liabilities, including bonds and notes payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (56,247,537)

Net assets of governmental activities (page 20) \$ 150,419,036

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, 2004

	Special Revenue		Debt Service	Capital Projects	Nonmajor Governmental	Total
	General	City Insurance				
Revenues:						
Property tax	\$ 13,610,064	2,287,520	5,248,362	-	3,817,973	24,963,919
Other city tax	8,140,295	215,967	491,077	-	3,175,767	12,023,106
Tax increment financing	-	-	-	-	794,607	794,607
Intergovernmental	932,272	-	-	4,521,268	6,920,609	12,374,149
Licenses and permits	975,312	-	-	-	7,195	982,507
Special assessments	-	-	-	740	634	1,374
Charges for service	3,025,546	-	-	-	120,317	3,145,863
Use of money and property	320,552	-	46,834	-	20,941	388,327
Miscellaneous	1,085,351	-	-	947,170	2,368,989	4,401,510
Total revenues	<u>28,089,392</u>	<u>2,503,487</u>	<u>5,786,273</u>	<u>5,469,178</u>	<u>17,227,032</u>	<u>59,075,362</u>
Expenditures:						
Operating:						
Public safety	21,042,847	-	-	-	288,727	21,331,574
Public works	1,516,181	-	-	-	9,280,146	10,796,327
Culture and recreation	4,404,913	-	-	-	224,096	4,629,009
Health and social services	941,987	-	-	-	487,326	1,429,313
Community and economic development	373,329	-	-	-	2,541,584	2,914,913
General government	5,297,927	-	-	-	78,054	5,375,981
Debt service:						
Principal redeemed	-	-	5,345,875	-	-	5,345,875
Interest paid	-	-	2,497,401	-	-	2,497,401
Miscellaneous debt expense	-	-	45,833	-	-	45,833
Capital projects	-	-	-	8,498,096	-	8,498,096
Total expenditures	<u>33,577,184</u>	<u>-</u>	<u>7,889,109</u>	<u>8,498,096</u>	<u>12,899,933</u>	<u>62,864,322</u>
Excess (deficiency) of revenues over (under) expenditures	(5,487,792)	2,503,487	(2,102,836)	(3,028,918)	4,327,099	(3,788,960)
Other financing sources (uses):						
General obligation bonds issued	-	-	232,932	4,267,068	-	4,500,000
Operating transfers in	7,510,805	1,500,000	1,685,624	784,393	680,975	12,161,797
Operating transfers out	(2,201,872)	(3,983,850)	-	(2,496,942)	(5,560,739)	(14,243,403)
Total other financing sources (uses)	<u>5,308,933</u>	<u>(2,483,850)</u>	<u>1,918,556</u>	<u>2,554,519</u>	<u>(4,879,764)</u>	<u>2,418,394</u>
Net change in fund balances	(178,859)	19,637	(184,280)	(474,399)	(552,665)	(1,370,566)
Fund balances beginning of year, as restated	5,129,883	132,579	1,880,029	7,560,217	7,645,473	22,348,181
Fund balances end of year	<u>\$ 4,951,024</u>	<u>152,216</u>	<u>1,695,749</u>	<u>7,085,818</u>	<u>7,092,808</u>	<u>20,977,615</u>

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, 2004

Net change in fund balances-total governmental funds (page 26) \$ (1,370,566)

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, excluding internal service funds, in the current year ,as follows:

Expenditures for capital assets	\$ 19,153,409	
Contributed assets	67,176,482	
Depreciation expense	<u>(6,160,568)</u>	80,169,323

In the Statement of Activities, the loss on the disposition of capital assets is expensed, whereas the proceeds from the sale increase financial resources in the governmental funds. (206,011)

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	5,819	
Other	<u>143,516</u>	149,335

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

Bonds issued	(4,500,000)	
Principal payments	<u>5,345,875</u>	845,875

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 governmental funds, as follows:

Compensated absences	(46,687)	
Interest on long-term debt	<u>3,782</u>	(42,905)

Internal service funds are used by management to charge the costs of certain activities to individual funds, including employee health benefits. The change in net assets of the internal service funds is reported with governmental activities. 594,628

Change in net assets of governmental activities (page 23) \$ 80,139,679

See notes to financial statements.

Exhibit G

City of Council Bluffs
Statement of Net Assets
Proprietary Funds

June 30, 2004

	Business Type Activities - Enterprise Funds			Governmental
	Nonmajor -		Total	Activities
	Sewer	Refuse and Disposal		Internal Service Funds
Assets				
Current assets:				
Cash and pooled investments	\$ 2,830,236	724,993	3,555,229	2,076,485
Receivables:				
Customer accounts and unbilled usage	835,754	729,445	1,565,199	-
Accounts	71,878	-	71,878	198,023
Due from other governments	329,287	-	329,287	75,633
Inventories	71,335	8,811	80,146	13,849
Total current assets	<u>4,138,490</u>	<u>1,463,249</u>	<u>5,601,739</u>	<u>2,363,990</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	71,249,626	3,368,740	74,618,366	955
Bond/note issuance costs	24,038	-	24,038	-
Total noncurrent assets	<u>71,273,664</u>	<u>3,368,740</u>	<u>74,642,404</u>	<u>955</u>
Total assets	<u>75,412,154</u>	<u>4,831,989</u>	<u>80,244,143</u>	<u>2,364,945</u>
Liabilities				
Current liabilities:				
Accounts payable	425,083	231,105	656,188	844,066
Salaries and benefits payable	92,761	22,866	115,627	690
Due to other funds	-	-	-	29,658
Due to other governments	16,504	71	16,575	-
Deferred revenue	-	58,623	58,623	-
General obligation capital loan notes payable	637,500	-	637,500	-
Compensated absences	130,841	24,673	155,514	3,570
Total current liabilities	<u>1,302,689</u>	<u>337,338</u>	<u>1,640,027</u>	<u>877,984</u>
Noncurrent liabilities:				
General obligation capital loan notes payable (net of unamortized discount)	1,344,613	-	1,344,613	-
Compensated absences	32,586	251	32,837	-
Total noncurrent liabilities	<u>1,377,199</u>	<u>251</u>	<u>1,377,450</u>	<u>-</u>
Total liabilities	<u>2,679,888</u>	<u>337,589</u>	<u>3,017,477</u>	<u>877,984</u>
Net Assets				
Invested in capital assets, net of related debt	69,267,513	3,368,740	72,636,253	955
Unrestricted	3,464,753	1,125,660	4,590,413	1,486,006
Total net assets	<u>\$ 72,732,266</u>	<u>4,494,400</u>	<u>77,226,666</u>	<u>1,486,961</u>

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, 2004

	Business Type Activities - Enterprise Funds			Governmental
	Nonmajor -			Activities
	Sewer	Refuse and Disposal	Total	Internal Service Funds
Operating revenues:				
Use of money and property	\$ 7,920	-	7,920	-
Charges for service	4,811,661	2,893,281	7,704,942	7,198,231
Miscellaneous	-	342,907	342,907	739,931
Total operating revenues	4,819,581	3,236,188	8,055,769	7,938,162
Operating expenses:				
Business type activities:				
Sewer system and sewage disposal	3,932,199	-	3,932,199	-
Refuse disposal	-	2,954,081	2,954,081	-
Depreciation	1,504,304	153,248	1,657,552	-
Non-program	-	-	-	7,358,352
Total operating expenses	5,436,503	3,107,329	8,543,832	7,358,352
Operating income (loss)	(616,922)	128,859	(488,063)	579,810
Nonoperating revenues (expenses):				
Local option sales tax	3,711,052	-	3,711,052	-
Interest on investments	-	-	-	14,818
State and federal grants	13,381	51,708	65,089	-
Miscellaneous revenues	276,512	-	276,512	-
Interest expense	(118,516)	-	(118,516)	-
Miscellaneous debt expense	(13,398)	-	(13,398)	-
Loss on disposal of capital assets	(809,190)	(1,026)	(810,216)	-
Total nonoperating revenues (expenses)	3,059,841	50,682	3,110,523	14,818
Net income before contributions and transfers	2,442,919	179,541	2,622,460	594,628
Contributions and transfers:				
Capital contributions and grants	3,428,090	2,000	3,430,090	-
Transfers in	2,680,296	-	2,680,296	150,000
Transfers out	(598,690)	-	(598,690)	(150,000)
Total contributions and transfers	5,509,696	2,000	5,511,696	-
Change in net assets	7,952,615	181,541	8,134,156	594,628
Net assets beginning of year, as restated	64,779,651	4,312,859	69,092,510	892,333
Net assets end of year	\$ 72,732,266	4,494,400	77,226,666	1,486,961

See notes to financial statements.

City of Council Bluffs

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Business Type Activities - Enterprise Funds			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service Funds
Cash flows from operating activities:				
Cash received from customers and users	\$ 4,912,290	2,855,875	7,768,165	7,220,002
Cash received from other revenues	7,920	341,303	349,223	664,899
Cash paid for personal services	(2,712,560)	(624,870)	(3,337,430)	(27,709)
Cash paid to suppliers	(1,403,307)	(2,246,500)	(3,649,807)	(7,321,459)
Net cash provided by operating activities	<u>804,343</u>	<u>325,808</u>	<u>1,130,151</u>	<u>535,733</u>
Cash flows from noncapital financing activities:				
Negative cash balance implicitly financed	-	-	-	14,153
Cash flows from investing activities:				
Interest on investments	-	-	-	14,818
Cash flows from capital and related financing activities:				
Nonoperating grants received	16,662	51,708	68,370	-
Local option sales tax	3,781,173	-	3,781,173	-
Miscellaneous revenue	258,852	-	258,852	-
Proceeds from sale of capital assets	-	1,112	1,112	-
Acquisition of capital assets	(7,376,440)	(63,250)	(7,439,690)	-
Principal paid on general obligation capital loan notes	(624,125)	-	(624,125)	-
Interest paid on general obligation capital loan notes	(118,516)	-	(118,516)	-
Net cash used for capital and related financing activities	<u>(4,062,394)</u>	<u>(10,430)</u>	<u>(4,072,824)</u>	<u>-</u>
Cash flows from noncapital financing activities:				
Transfers in from other funds	<u>2,081,606</u>	-	<u>2,081,606</u>	-
Net increase (decrease) in cash and cash equivalents	(1,176,445)	315,378	(861,067)	564,704
Cash and cash equivalents beginning of year	<u>4,006,681</u>	<u>409,615</u>	<u>4,416,296</u>	<u>1,511,781</u>
Cash and cash equivalents end of year	<u>\$ 2,830,236</u>	<u>724,993</u>	<u>3,555,229</u>	<u>2,076,485</u>

City of Council Bluffs

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Business Type Activities - Enterprise Funds			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (616,922)	128,859	(488,063)	579,810
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,504,304	153,248	1,657,552	863
(Increase) decrease in customer accounts receivable and unbilled usage	100,629	(97,026)	3,603	21,419
(Increase) in due from other governments	(4,006)	-	(4,006)	(74,682)
(Increase) decrease in inventories	(29,323)	16,864	(12,459)	267
Increase (decrease) in accounts payable	(192,997)	52,389	(140,608)	97,772
Increase (decrease) in salaries and benefits payable	20,547	8,122	28,669	(545)
(Decrease) in due to other governments	10,651	(943)	9,708	(89,543)
Increase in deferred revenue	-	58,016	58,016	-
Increase in compensated absences	11,460	6,279	17,739	372
Total adjustments	1,421,265	196,949	1,618,214	(44,077)
Net cash provided by operating activities	\$ 804,343	325,808	1,130,151	535,733

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, capital assets of \$86,094 were contributed to the Sewer Fund from the City Internal Service Fund and \$3,341,996 was contributed by developers. Also, capital assets of \$2,000 were contributed to the Refuse and Disposal Fund by the City.

See notes to financial statements.

City of Council Bluffs
Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	<u>Pension and Other Employee Benefit Trust</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 105,386	-
Receivables:		
Property tax:		
Delinquent	3,540	-
Succeeding year	148,000	-
Due from other governments	-	43,780
Total assets	<u>256,926</u>	<u>43,780</u>
Liabilities		
Accounts payable	173	23,781
Salaries and benefits payable	-	18,667
Trusts payable	-	1,332
Deferred revenue:		
Succeeding year property tax	148,000	-
Other	1,669	-
Total liabilities	<u>149,842</u>	<u>43,780</u>
Net assets held in trust for employee benefits	<u>\$ 107,084</u>	<u>-</u>

See notes to financial statements.

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

Year ended June 30, 2004

	Pension and Other Employee Benefit Trust
Additions:	
Property and other city tax	\$ 135,427
Miscellaneous	2,064
Total additions	137,491
Deductions:	
Benefits and refunds paid to plan members	104,356
Administrative expenses	8,505
Total deductions	112,861
Change in net assets held in trust for employee benefits	24,630
Net assets held in trust for employee benefits beginning of year	82,454
Net assets held in trust for employee benefits end of year	\$ 107,084

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

Jointly Governed Organization

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

Related Organizations and Organizations with Joint Venture Characteristics

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and the Statement of Net Assets report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by 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 net assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses

are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions 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 Fund, City Insurance, is used to account for employee benefits (health insurance, long-term disability).

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following proprietary funds:

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 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 are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax receivable represent 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2003.

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, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, machinery and equipment, vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide 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	\$ 1,000
Machinery and equipment, vehicles and other equipment	1,000
Infrastructure	25,000

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
Vehicles	5-10 years
Machinery and equipment	5-30 years
Infrastructure	20-65 years

Bond/Note Discounts and Issuance Costs – Bond/note discounts and issuance costs associated with general obligation bonds/capital loan notes recorded in the proprietary funds are deferred and amortized over the term of the bonds/notes using the bond outstanding method which approximates the interest method. Bond/note discounts are deducted from the bonds/notes outstanding.

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 unspent grant proceeds,

as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

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.

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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2004, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counterparty's trust department or agent in the City's name.

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, 2004 are as follows:

	Category	Fair Value
U.S. Treasury securities	1	\$ 229,620
Repurchase agreements	2	<u>4,000,000</u>
Total		<u>\$ 4,229,620</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,409,597 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The Council Bluffs Public Library Foundation's investments at June 30, 2004 consist of mutual funds with a fair value of \$1,453,621 that are not subject to risk categorization.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

Primary Government	Balance Beginning of Year (as restated, note 17)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,427,794	3,100,853	(110,978)	13,417,669
Construction in progress - infrastructure	4,858,265	11,229,747	(5,050,097)	11,037,915
Construction in progress - other	5,372,378	204,826	(5,372,378)	204,826
Total capital assets not being depreciated	<u>20,658,437</u>	<u>14,535,426</u>	<u>(10,533,453)</u>	<u>24,660,410</u>
Capital assets being depreciated:				
Buildings	20,448,036	64,843,554	-	85,291,590
Improvements other than buildings	16,119,653	4,429,491	-	20,549,144
Machinery and equipment	9,307,715	3,500,005	(240,621)	12,567,099
Machinery and equipment-internal service funds	22,339	-	-	22,339
Vehicles	7,412,689	211,107	(223,594)	7,400,202
Infrastructure, road network	72,350,668	9,251,643	-	81,602,311
Total capital assets being depreciated	<u>125,661,100</u>	<u>82,235,800</u>	<u>(464,215)</u>	<u>207,432,685</u>
Less accumulated depreciation for:				
Buildings	3,325,393	1,112,967	-	4,438,360
Improvements other than buildings	3,888,943	884,991	-	4,773,934
Machinery and equipment	4,880,391	731,050	(219,242)	5,392,199
Machinery and equipment-internal service funds	20,520	864	-	21,384
Vehicles	4,906,552	573,506	(149,940)	5,330,118
Infrastructure, road network	26,557,414	2,858,053	-	29,415,467
Total accumulated depreciation	<u>43,579,213</u>	<u>6,161,431</u>	<u>(369,182)</u>	<u>49,371,462</u>
Total capital assets being depreciated, net	<u>82,081,887</u>	<u>76,074,369</u>	<u>(95,033)</u>	<u>158,061,223</u>
Governmental activities capital assets, net	<u>\$ 102,740,324</u>	<u>90,609,795</u>	<u>(10,628,486)</u>	<u>182,721,633</u>

Business type activities:	Balance Beginning of Year (as restated, note 17)	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 6,257,752	14,500	-	6,272,252
Construction in progress	10,493,245	7,118,970	(12,675,333)	4,936,882
Total capital assets not being depreciated	<u>16,750,997</u>	<u>7,133,470</u>	<u>(12,675,333)</u>	<u>11,209,134</u>
Capital assets being depreciated:				
Buildings	20,482,034	14,959	-	20,496,993
Improvements other than buildings	850,953	-	-	850,953
Machinery and equipment	10,220,151	167,369	(58,425)	10,329,095
Vehicles	907,744	227,155	(27,874)	1,107,025
Infrastructure, sewer network	38,344,762	16,022,422	(1,132,906)	53,234,278
Total capital assets being depreciated	<u>70,805,644</u>	<u>16,431,905</u>	<u>(1,219,205)</u>	<u>86,018,344</u>
Less accumulated depreciation for:				
Buildings	6,761,512	397,833	-	7,159,345
Improvements other than buildings	780,421	5,731	-	786,152
Machinery and equipment	3,272,509	413,818	(18,162)	3,668,165
Vehicles	319,373	113,320	(19,977)	412,716
Infrastructure, sewer network	10,205,362	726,850	(349,478)	10,582,734
Total accumulated depreciation	<u>21,339,177</u>	<u>1,657,552</u>	<u>(387,617)</u>	<u>22,609,112</u>
Total capital assets being depreciated, net	<u>49,466,467</u>	<u>14,774,353</u>	<u>(831,588)</u>	<u>63,409,232</u>
Business type activities capital assets, net	<u>\$ 66,217,464</u>	<u>21,907,823</u>	<u>(13,506,921)</u>	<u>74,618,366</u>

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

Governmental activities:	
Public safety	\$ 699,987
Public works	3,155,559
Health and social services	21,836
Culture and recreation	2,249,863
Community and economic development	8,459
General government	<u>25,727</u>
Total depreciation expense - governmental activities	<u>\$ 6,161,431</u>
Business type activities:	
Sewer	\$ 1,504,304
Nonmajor enterprise fund - refuse and disposal	<u>153,248</u>
Total depreciation expense- business type activities	<u>\$ 1,657,552</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely presented component unit:				
Capital assets not being depreciated:				
Land	\$ 163,064	-	-	163,064
Construction in progress	1,059,114	2,339,070	-	3,398,184
Total capital assets not being depreciated	1,222,178	2,339,070	-	3,561,248
Capital assets being depreciated:				
Buildings	2,349,329	-	-	2,349,329
Improvements other than buildings	1,042,591	-	-	1,042,591
Machinery and equipment	178,919	4,800	-	183,719
Total capital assets being depreciated	3,570,839	4,800	-	3,575,639
Less accumulated depreciation for:				
Buildings	719,204	58,734	-	777,938
Improvements other than buildings	183,692	34,753	-	218,445
Machinery and equipment	43,763	28,470	-	72,233
Total accumulated depreciation	946,659	121,957	-	1,068,616
Total capital assets being depreciated, net	2,624,180	(117,157)	-	2,507,023
Discretely presented component unit capital assets, net	\$ 3,846,358	2,221,913	-	6,068,271
Total depreciation expense - discretely presented component unit				\$ 121,957

(4) Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 55,245,500	4,500,000	(5,345,875)	54,399,625	6,152,500
Compensated absences	1,601,879	1,688,646	(1,643,248)	1,647,277	1,350,444
Total	\$ 56,847,379	6,188,646	(6,989,123)	56,046,902	7,502,944
Business type activities:					
General obligation notes	\$ 2,601,573	-	(619,460)	1,982,113	(1) 637,500
Compensated absences	170,612	197,710	(179,791)	188,531	155,514
Total	\$ 2,772,185	197,710	(799,251)	2,170,644	793,014

(1) Bonds were sold at a discount; unamortized discount at June 30, 2004 was \$13,262.

General Obligation Bonds/Notes Payable

General obligation bonds/notes have been issued for both governmental and business type activities. The portion of unmatured general obligation bonds/notes accounted for in governmental activities and serviced by the Debt Service Fund totaled \$54,399,625 at June 30, 2004. The portion of unmatured general obligation notes expected to be repaid from proprietary revenues and accounted for in business type activities totaled \$1,982,113, net of unamortized discount, at June 30, 2004. In compliance with statutory requirements, funds pledged and available in the proprietary funds to service general obligation notes are recorded as reimbursements to the Debt Service Fund in the City's accounting system. General obligation bonds/notes bear interest at rates ranging from 3.00% to 7.0%.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2004 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General obligation bonds:						
Essential corporate purpose	Dec 1, 1991	5.000-7.000%	June 1, 2011	\$130,000-370,000	\$ 4,040,000	2,125,000
Essential corporate purpose	Jul 1, 2001	3.500-4.125	June 1, 2011	975,000-1,530,000	8,700,000	8,700,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	4,455,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,500,000
General obligation capital loan notes:						
Essential corporate purpose	Dec 1, 1995	4.100-5.050	June 1, 2007	25,000-2,700,000	4,500,000	4,290,000
Essential corporate purpose	Aug 1, 1996	5.000-5.050	June 1, 2008	745,000-2,104,625	6,630,500	5,829,625
Essential corporate purpose	Aug 1, 1997	4.200-4.750	June 1, 2006	50,000-2,700,000	6,350,000	5,100,000
Essential corporate purpose	Feb 1, 1999	3.950-4.000	June 1, 2009	50,000-2,750,000	6,500,000	6,050,000
Essential corporate purpose	Mar 1, 2000	5.250-5.500	June 1, 2011	500,000-2,450,000	4,950,000	4,950,000
Essential corporate purpose	Nov 1, 2000	4.700-5.050	June 1, 2011	25,000-1,500,000	5,000,000	4,300,000
Essential corporate purpose	Apr 1, 2002	4.000-4.500	June 1, 2010	75,000-1,525,000	4,100,000	4,100,000
Total governmental activities						<u>\$54,399,625</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 6,152,500	2,450,482	8,602,982
2006	6,707,500	2,129,803	8,837,303
2007	7,125,000	1,816,784	8,941,784
2008	7,119,625	1,493,039	8,612,664
2009	8,165,000	1,183,070	9,348,070
2010-2014	14,755,000	1,930,449	16,685,449
2015-2019	4,375,000	471,759	4,846,759
Total	<u>\$ 54,399,625</u>	<u>11,475,386</u>	<u>65,875,011</u>

Business type activities:

Details of general obligation notes payable at June 30, 2004 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General obligation capital loan notes:						
Essential corporate purpose	Aug 1, 1996	5.000-5.050%	June 1, 2008	\$255,000-720,375	\$ 2,269,500	<u>1,995,375</u>

A summary of the annual general obligation capital loan note principal and interest payments to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 637,500	100,129	737,629
2006	382,500	68,254	450,754
2007	255,000	49,129	304,129
2008	720,375	36,379	756,754
	<u>1,995,375</u>	<u>253,891</u>	<u>2,249,266</u>
Less:			
Unamortized discount	(13,262)	-	(13,262)
Total	<u>\$ 1,982,113</u>	<u>253,891</u>	<u>2,236,004</u>

At June 30, 2004, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 2,433,664,315</u>
Debt limit – 5% of total actual valuation	\$ 121,683,216
Debt applicable to debt limit:	
General obligation debt outstanding	<u>(56,395,000)</u>
Legal debt margin	<u>\$ 65,288,216</u>

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	City Insurance	\$ 3,382,302
	Nonmajor Special Revenue	4,063,319
	Capital Projects	65,184
		<u>7,510,805</u>
Special Revenue: City Insurance	General	<u>1,500,000</u>
Debt Service	General	500,000
	Special Revenue:	
	City Insurance	601,548
	Nonmajor Special Revenue	381,303
	Capital Projects	4,083
	Proprietary:	
	Sewer	198,690
		<u>1,185,624</u>
Capital Projects	General	201,872
	Nonmajor Special Revenue	182,521
	Proprietary:	
	Sewer	400,000
		<u>784,393</u>
Nonmajor Special Revenue	Nonmajor Special Revenue	633,596
	Capital Projects	47,379
		<u>680,975</u>
Proprietary: Sewer	Nonmajor Special Revenue	300,000
	Capital Projects	2,380,296
		<u>2,680,296</u>
Total		<u>\$ 14,342,093</u>

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

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	CDBG Grant	\$ 80,684
	HOME Program	13,700
	Internal Service:	
	Graphic Arts	29,658
Total		<u>\$ 124,042</u>

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

(7) Pension and Retirement Benefits

Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$614,913, \$605,746 and \$585,115, 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 104th 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, 2004, 2003 and 2002 were \$2,183,915, \$1,764,758 and \$1,705,465, respectively, which met the required minimum contributions for each year.

(8) Transit Authority Agreement

The City has contracted for transit service on a regular, scheduled basis over certain routes within the City of Council Bluffs. 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, 2004, the City paid \$741,424 under this contract.

(9) Pending Litigation and Contingent Liabilities

The City is subject to pending litigation seeking damages. The amount and probability of loss, if any, is not determinable. The City is self-insured for the first \$250,000 of loss.

(10) Industrial Development Revenue Bonds

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

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Firststar Bank, Council Bluffs and Principal Mutual Life Insurance Company administers the plan funds. The City records the plan assets and related liabilities of the Self Insurance Fund as an Internal Service Fund. The City's contribution to the fund for the year ended June 30, 2004 was \$5,449,012.

Amounts payable from the Self Insurance Fund at June 30, 2004 total \$832,706, 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, 2003	\$ 675,911
Incurred claims (including claims incurred but not reported as of June 30, 2004)	6,698,812
Payments on claims	<u>(6,542,017)</u>
Unpaid claims as of June 30, 2004	<u>\$ 832,706</u>

(12) Deficit Balances

The Special Revenue, HOME Program Fund, Internal Service, Graphic Art Revolving and Self Insurance Funds and the Fiduciary, Firemen's Pension Fund had deficit balances of \$13,700, \$19,211, \$119,079 and \$35, respectively, at June 30, 2004. The deficit balances will be eliminated through future grants and receipts from operating accounts.

(13) Construction Commitments

Construction commitments at June 30, 2004 totaled \$9,396,400 which will be paid as work on the projects progresses. These projects will be funded through general obligation notes, grants and local funds on hand.

(14) Risk Management

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

(15) CDBG Installment Loan Escrow Fund

During the year ended June 30, 1977, the City received funding for an individual housing rehabilitation loan program from the U.S. Department of Housing and Urban Development. These funds were subsequently loaned to individuals in the City. The loans receivable and loan payments received from the individuals are accounted for in the Special Revenue, CDBG Grant Fund. The Special Revenue, CDBG Installment Loan Escrow Fund receives a portion of loan payments for payment of property tax and insurance. Active loans during the year ended June 30, 2004 carry an interest rate of 3% and have terms ranging from 10 to 20 years. At June 30, 2004, there were 89 active loans with a total outstanding principal balance of \$833,733, which is included in installment loans receivable in these financial statements.

(16) 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 \$12,218,000. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2004, the City rebated \$450,312 of incremental tax to the developers, which included \$238,741 for principal and \$211,571 for interest. The outstanding balance of the agreements at June 30, 2004 was \$11,824,740.

(17) Restatements and Reclassifications:

Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units, was implemented during the year ended June 30, 2004. The statement modified the reporting of certain component units.

In addition, beginning net assets for governmental activities and business type activities were restated to correct the valuation of and reporting for certain capital assets.

	<u>Total</u>
Governmental activities:	
Net assets, June 30, 2003, as previously reported:	\$ 79,958,199
Assets recorded twice	(4,108,918)
Correction of construction in progress	(4,182,277)
Implementation of GASB 39:	
Reclassification of Library Foundation as Discretely Presented Component Unit	(1,359,870)
Reevaluation and removal of Friends of the Library, a blended component unit	(27,777)
Net assets, July 1, 2003, as restated	<u>\$ 70,279,357</u>
Business type activities:	
Net assets, June 30, 2003, as previously reported:	\$ 65,085,465
Assets recorded twice	(3,049,619)
Correction of construction in progress	7,056,664
Net assets, July 1, 2003, as restated	<u>\$ 69,092,510</u>

The beginning fund balances of certain accounts within the Debt Service Fund were reclassified as Special Revenue Funds during the year ended June 30, 2004 to more appropriately reflect the nature and purpose of the funds.

	<u>Debt Service</u>	<u>Special Revenue</u>
Beginning balances, as previously reported	\$ 2,306,472	8,680,151
GASB 39 adjustments:		
Reclassification of Library Foundation	-	(1,359,870)
Removal of Friends of the Library	-	(27,777)
	<u>2,306,472</u>	<u>7,292,504</u>
Reclassification of accounts:		
West Broadway TIF	(162,878)	162,878
Downtown TIF	(263,565)	263,565
Ending balances, as restated	<u>\$ 1,880,029</u>	<u>7,718,947</u>

City of Council Bluffs

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 24,977,532	-	24,977,532
Tax increment financing revenue	797,063	-	797,063
Other city tax	11,851,183	3,781,173	15,632,356
Licenses and permits	982,457	-	982,457
Use of money and property	400,614	7,920	408,534
Intergovernmental	12,438,549	68,374	12,506,923
Charges for service	3,252,736	7,768,162	11,020,898
Special and drainage assessments	93,356	-	93,356
Miscellaneous	5,379,270	737,704	6,116,974
Total receipts	<u>60,172,760</u>	<u>12,363,333</u>	<u>72,536,093</u>
Disbursements:			
Public safety	21,485,089	-	21,485,089
Public works	10,872,782	-	10,872,782
Health and social services	939,935	-	939,935
Culture and recreation	5,575,056	-	5,575,056
Community and economic development	3,008,095	-	3,008,095
General government	5,300,867	-	5,300,867
Debt service	8,591,452	-	8,591,452
Capital projects	11,289,189	-	11,289,189
Business type activities	-	12,175,037	12,175,037
Total disbursements	<u>67,062,465</u>	<u>12,175,037</u>	<u>79,237,502</u>
Excess (deficiency) of receipts over (under) disbursements	(6,889,705)	188,296	(6,701,409)
Other financing sources, net	5,193,628	(1,042,961)	4,150,667
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,696,077)	(854,665)	(2,550,742)
Balance beginning of year, as restated	20,204,561	4,409,894	24,614,455
Balance end of year	<u>\$ 18,508,484</u>	<u>3,555,229</u>	<u>22,063,713</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
24,655,523	24,625,923	351,609
783,050	783,050	14,013
14,845,436	15,175,036	457,320
920,785	920,785	61,672
590,900	590,900	(182,366)
13,355,951	13,355,951	(849,028)
10,590,550	10,590,550	430,348
119,750	119,750	(26,394)
3,947,950	4,557,950	1,559,024
69,809,895	70,719,895	1,816,198
21,308,074	21,308,074	(177,015)
7,009,097	7,259,097	(3,613,685)
553,990	553,990	(385,945)
4,835,335	4,835,335	(739,721)
3,745,505	3,745,505	737,410
4,804,472	5,204,472	(96,395)
8,684,831	8,684,831	93,379
17,050,000	22,839,150	11,549,961
7,481,490	7,481,490	(4,693,547)
75,472,794	81,911,944	2,674,442
(5,662,899)	(11,192,049)	4,490,640
-	4,460,000	(309,333)
(5,662,899)	(6,732,049)	4,181,307
24,958,917	24,697,331	(82,876)
19,296,018	17,965,282	4,098,431

City of Council Bluffs
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 60,172,760	(1,097,398)	59,075,362
Expenditures	67,062,465	(4,198,143)	62,864,322
Net	(6,889,705)	3,100,745	(3,788,960)
Other financing sources (uses)	5,193,628	(2,775,234)	2,418,394
Beginning fund balances, as restated	20,204,561	2,143,620	22,348,181
Ending fund balances	\$ 18,508,484	2,469,131	20,977,615
	Proprietary Funds		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjustments	Basis
Revenues	\$ 12,363,333	(254,911)	12,108,422
Expenses	12,175,037	(2,689,075)	9,485,962
Net	188,296	2,434,164	2,622,460
Other financing sources (uses)	(1,042,961)	6,554,657	5,511,696
Beginning fund balances, as restated	4,409,894	64,682,616	69,092,510
Ending net assets	\$ 3,555,229	73,671,437	77,226,666

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 Funds, Fiduciary Funds and Agency 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 ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and 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 \$6,439,150. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements in the public safety, public works, health and social services, culture and recreation, general government and business type activities functions exceeded the amounts budgeted.

City of Council Bluffs

Other Supplementary Information

City of Council Bluffs
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Road Use Tax	Emergency Levy	CDBG Grant
Assets			
Cash and pooled investments	\$ 1,366,326	-	-
Receivables:			
Property tax:			
Delinquent	-	10,883	-
Succeeding year	-	400,000	-
Tax increment financing	-	-	-
Accounts	-	-	88,978
Special and drainage assessments	1,476	-	-
Due from other governments	391,436	-	98,139
Installment loans	-	-	833,733
Inventories	653,986	-	-
	\$ 2,413,224	410,883	1,020,850
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 152,595	-	58,402
Salaries and benefits payable	109,063	-	15,986
Due to other funds	-	-	80,684
Due to other governments	-	-	4,528
Deferred revenue:			
Succeeding year property tax	-	400,000	-
Other	1,476	4,517	-
Total liabilities	263,134	404,517	159,600
Fund balances:			
Reserved for:			
Inventories	653,986	-	-
Noncurrent loans receivable	-	-	793,733
Endowments	-	-	-
Unreserved	1,496,104	6,366	67,517
Total fund balances	2,150,090	6,366	861,250
	\$ 2,413,224	410,883	1,020,850

Special Revenue Funds					
HOME Program	CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retirement	
-	3,823	28,571	1,971,155	192,355	
-	-	-	-	20,900	
-	-	-	-	867,000	
-	-	-	-	-	
-	-	-	287,514	-	
-	-	-	-	-	
-	-	-	309,400	-	
-	-	-	-	-	
-	-	-	-	-	
-	3,823	28,571	2,568,069	1,080,255	
-	-	232	546,175	-	
-	-	-	-	-	
13,700	-	-	-	-	
-	-	417	-	-	
-	-	-	-	867,000	
-	-	-	36,838	9,802	
13,700	-	649	583,013	876,802	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
(13,700)	3,823	27,922	1,985,056	203,453	
(13,700)	3,823	27,922	1,985,056	203,453	
-	3,823	28,571	2,568,069	1,080,255	

City of Council Bluffs
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2004

	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment	Mosquito Creek #22
Assets				
Cash and pooled investments	2,621	19,833	377,369	155,725
Receivables:				
Property tax:				
Delinquent	14,557	-	59,298	-
Succeeding year	602,000	-	2,464,000	-
Tax increment financing	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	-	-	-	683
Due from other governments	-	-	-	-
Installment loans	-	-	-	-
Inventories	-	-	-	-
Total assets	619,178	19,833	2,900,667	156,408
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	1,979
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	602,000	-	2,464,000	-
Other	6,809	-	27,858	-
Total liabilities	608,809	-	2,491,858	1,979
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Noncurrent loans receivable	-	-	-	-
Endowments	-	-	-	-
Unreserved	10,369	19,833	408,809	154,429
Total fund balances	10,369	19,833	408,809	154,429
Total liabilities and fund balances	619,178	19,833	2,900,667	156,408

Special Revenue Funds								
Drainage Districts								
Sieck #32	West Lewis #35	Lake Manawa SSMID	East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Madison Rue 1998 Urban Renewal	Bennet Avenue TIF	
83,007	133,962	28,305	1,479	110,501	151,497	763	6,522	
-	-	-	-	-	-	-	-	-
-	-	-	34,000	300,000	71,000	141,000	217,000	-
-	-	-	212	10,489	1,178	-	-	-
623	2,321	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
83,630	136,283	28,305	35,691	420,990	223,675	141,763	223,522	
-	141	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	34,000	300,000	71,000	141,000	217,000	-
-	-	-	-	-	-	-	-	-
-	141	-	34,000	300,000	71,000	141,000	217,000	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
83,630	136,142	28,305	1,691	120,990	152,675	763	6,522	
83,630	136,142	28,305	1,691	120,990	152,675	763	6,522	
83,630	136,283	28,305	35,691	420,990	223,675	141,763	223,522	

City of Council Bluffs
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue Funds			
	Featherstone TIF	U.S. Savings Bond	Library Building	Library Memorials and Gifts
Assets				
Cash and pooled investments	779	175	22,385	138,185
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	26,000	-	-	-
Tax increment financing	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Installment loans	-	-	-	-
Inventories	-	-	-	-
	26,779	175	22,385	138,185
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	-	483
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	26,000	-	-	-
Other	-	-	-	-
Total liabilities	26,000	-	-	483
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Noncurrent loans receivable	-	-	-	-
Endowments	-	-	-	-
Unreserved	779	175	22,385	137,702
Total fund balances	779	175	22,385	137,702
	26,779	175	22,385	138,185

See accompanying independent auditor's report.

				Permanent Fund	
Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscellaneous	Total Special Revenue	Fairview Cemetery Perpetual Care	Total
113,619	229,620	226,912	5,365,489	59,105	5,424,594
-	-	-	105,638	-	105,638
-	-	-	5,122,000	-	5,122,000
-	-	-	11,879	-	11,879
-	-	816	377,308	-	377,308
-	-	10,797	15,900	-	15,900
-	-	-	798,975	-	798,975
-	-	-	833,733	-	833,733
-	-	-	653,986	-	653,986
113,619	229,620	238,525	13,284,908	59,105	13,344,013
-	-	46,026	804,054	-	804,054
-	-	-	127,028	-	127,028
-	-	-	94,384	-	94,384
-	-	697	5,642	-	5,642
-	-	-	5,122,000	-	5,122,000
-	-	10,797	98,097	-	98,097
-	-	57,520	6,251,205	-	6,251,205
-	-	-	653,986	-	653,986
-	-	-	793,733	-	793,733
-	-	-	-	59,105	59,105
113,619	229,620	181,005	5,585,984	-	5,585,984
113,619	229,620	181,005	7,033,703	59,105	7,092,808
113,619	229,620	238,525	13,284,908	59,105	13,344,013

City of Council Bluffs

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

Year ended June 30, 2004

	Special Revenue Funds			
	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
Revenues:				
Property tax	\$ -	402,557	-	-
Other city tax	-	38,026	-	-
Tax increment financing	-	-	-	-
Licenses and permits	7,195	-	-	-
Use of money and property	17,455	-	-	-
Intergovernmental	4,884,991	-	1,458,055	454,500
Charges for service	-	-	-	-
Special assessments	634	-	-	-
Miscellaneous	65,490	-	486,006	144,800
Total revenues	<u>4,975,765</u>	<u>440,583</u>	<u>1,944,061</u>	<u>599,300</u>
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	5,471,898	-	-	-
Culture and recreation	-	-	-	-
Health and social services	-	-	-	-
Community and economic development	-	-	1,306,515	697,500
General government	-	-	-	-
Total expenditures	<u>5,471,898</u>	<u>-</u>	<u>1,306,515</u>	<u>697,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(496,133)</u>	<u>440,583</u>	<u>637,546</u>	<u>(98,200)</u>
Other financing sources (uses):				
Operating transfers in	623,654	-	-	-
Operating transfers out	-	(440,917)	(167,346)	-
Total other financing sources (uses)	<u>623,654</u>	<u>(440,917)</u>	<u>(167,346)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	127,521	(334)	470,200	(98,200)
Fund balances beginning of year, as restated	<u>2,022,569</u>	<u>6,700</u>	<u>391,050</u>	<u>84,500</u>
Fund balances end of year	<u>\$ 2,150,090</u>	<u>6,366</u>	<u>861,250</u>	<u>(13,700)</u>

CDBG Installment Loan Escrow	CEBA Grants	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation
-	-	-	-	849,649	507,223	-
-	-	-	2,815,048	80,340	47,984	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	24,725	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
82,629	-	29,372	792,287	131	-	-
82,629	-	29,372	3,632,060	930,120	555,207	-
-	-	77,662	-	-	-	-
-	-	-	3,677,544	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
87,258	-	-	-	-	-	-
-	-	-	-	-	-	-
87,258	-	77,662	3,677,544	-	-	-
(4,629)	-	(48,290)	(45,484)	930,120	555,207	-
-	-	-	-	-	-	-
-	(3,333)	-	(463,612)	(836,358)	(608,439)	(10,247)
-	(3,333)	-	(463,612)	(836,358)	(608,439)	(10,247)
(4,629)	(3,333)	(48,290)	(509,096)	93,762	(53,232)	(10,247)
8,452	3,333	76,212	2,494,152	109,691	63,601	30,080
3,823	-	27,922	1,985,056	203,453	10,369	19,833

City of Council Bluffs

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

Year ended June 30, 2004

	Drainage Districts			
	Fire and Police Retire- ment	Mosquito Creek #22	Sieck #32	West Lewis #35
Revenues:				
Property tax	2,058,544	-	-	-
Other city tax	194,369	-	-	-
Tax increment financing	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	30,914	21,484	42,938
Total revenues	2,252,913	30,914	21,484	42,938
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	-	61,945	5,800	10,684
Culture and recreation	-	-	-	-
Health and social services	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total expenditures	-	61,945	5,800	10,684
Excess (deficiency) of revenues over (under) expenditures	2,252,913	(31,031)	15,684	32,254
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(2,183,915)	-	-	-
Total other financing sources (uses)	(2,183,915)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	68,998	(31,031)	15,684	32,254
Fund balances beginning of year, as restated	339,811	185,460	67,946	103,888
Fund balances end of year	408,809	154,429	83,630	136,142

Special Revenue Funds							
Lake Manawa SSMID	East Broadway Tax Increment Financing	West Broadway Tax Increment Financing	Downtown Tax Increment Financing	Madison Rue 1998 Urban Renewal	INRIP	Bennet Avenue TIF	Featherstone TIF
-	-	-	-	-	-	-	-
-	34,137	301,510	70,244	142,736	-	219,742	26,238
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	34,137	301,510	70,244	142,736	-	219,742	26,238
-	-	-	-	-	-	-	-
12,925	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	32,707	-	36,952	141,973	-	213,220	25,459
-	-	-	-	-	-	-	-
12,925	32,707	-	36,952	141,973	-	213,220	25,459
(12,925)	1,430	301,510	33,292	763	-	6,522	779
-	-	47,379	-	-	-	-	-
-	-	(390,777)	(144,182)	-	(303,854)	-	-
-	-	(343,398)	(144,182)	-	(303,854)	-	-
(12,925)	1,430	(41,888)	(110,890)	763	(303,854)	6,522	779
41,230	261	162,878	263,565	-	303,854	-	-
28,305	1,691	120,990	152,675	763	-	6,522	779

City of Council Bluffs

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

Year ended June 30, 2004

	U.S. Savings Bond	Library Building	Animal Control
Revenues:			
Property tax	-	-	-
Other City tax	-	-	-
Tax increment financing	-	-	-
Licenses and permits	-	-	-
Use of money and property	-	236	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	11,498	669	1,741
Total revenues	11,498	905	1,741
Expenditures:			
Operating:			
Public safety	-	-	1,479
Public works	-	-	-
Culture and recreation	-	-	-
Health and social services	-	-	-
Community and economic development	-	-	-
General government	11,950	-	-
Total expenditures	11,950	-	1,479
Excess (deficiency) of revenues over (under) expenditures	(452)	905	262
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(6,609)
Total other financing sources (uses)	-	-	(6,609)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(452)	905	(6,347)
Fund balances beginning of year, as restated	627	21,480	6,347
Fund balances end of year	175	22,385	-

See accompanying independent auditor's report.

Special Revenue Funds					Permanent Fund	
Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscellaneous	Total Special Revenue	Fairview Cemetery Perpetual Care	Total
-	-	-	-	3,817,973	-	3,817,973
-	-	-	-	3,175,767	-	3,175,767
-	-	-	-	794,607	-	794,607
-	-	-	-	7,195	-	7,195
2,019	1,231	-	-	20,941	-	20,941
-	-	-	98,338	6,920,609	-	6,920,609
-	-	-	120,317	120,317	-	120,317
-	-	-	-	634	-	634
76,169	-	-	582,861	2,368,989	-	2,368,989
78,188	1,231	-	801,516	17,227,032	-	17,227,032
-	-	-	209,586	288,727	-	288,727
-	-	-	39,350	9,280,146	-	9,280,146
121,325	-	-	102,771	224,096	-	224,096
-	-	-	487,326	487,326	-	487,326
-	-	-	-	2,541,584	-	2,541,584
-	-	7,473	58,631	78,054	-	78,054
121,325	-	7,473	897,664	12,899,933	-	12,899,933
(43,137)	1,231	(7,473)	(96,148)	4,327,099	-	4,327,099
-	-	-	9,942	680,975	-	680,975
-	-	-	(1,150)	(5,560,739)	-	(5,560,739)
-	-	-	8,792	(4,879,764)	-	(4,879,764)
(43,137)	1,231	(7,473)	(87,356)	(552,665)	-	(552,665)
180,839	112,388	237,093	268,361	7,586,368	59,105	7,645,473
137,702	113,619	229,620	181,005	7,033,703	59,105	7,092,808

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

June 30, 2004

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving	Self Insurance
Assets				
Current assets:				
Cash and pooled investments	\$ 290,019	-	134,766	526,867
Accounts receivable	-	-	-	198,023
Due from other governments	-	-	-	-
Inventories	-	13,849	-	-
Total current assets	290,019	13,849	134,766	724,890
Noncurrent assets:				
Property and equipment, net of accumulated depreciation	-	955	-	-
Total assets	290,019	14,804	134,766	724,890
Liabilities				
Current liabilities:				
Accounts payable	-	97	-	843,969
Salaries and benefits payable	-	690	-	-
Due to other funds	-	29,658	-	-
Compensated absences	-	3,570	-	-
Total current liabilities	-	34,015	-	843,969
Net Assets				
Invested in capital assets	-	955	-	-
Unrestricted	290,019	(20,166)	134,766	(119,079)
Total net assets	\$ 290,019	(19,211)	134,766	(119,079)

See accompanying independent auditor's report.

Workers' Compensation Self Insurance	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
679,426	253,306	192,101	2,076,485
-	-	-	198,023
75,633	-	-	75,633
-	-	-	13,849
755,059	253,306	192,101	2,363,990
-	-	-	955
755,059	253,306	192,101	2,364,945
-	-	-	844,066
-	-	-	690
-	-	-	29,658
-	-	-	3,570
-	-	-	877,984
-	-	-	955
755,059	253,306	192,101	1,486,006
755,059	253,306	192,101	1,486,961

City of Council Bluffs

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

Year ended June 30, 2004

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Operating revenues:			
Charges for service:			
Reimbursements from operating funds	\$ 75,920	86,142	200,000
Reimbursements from retired employees	-	-	-
Reimbursements from current employees	-	-	-
	75,920	86,142	200,000
Miscellaneous	-	4,267	-
Total operating revenues	75,920	90,409	200,000
Operating expenses:			
Non-program	-	102,806	223,602
Operating income (loss)	75,920	(12,397)	(23,602)
Nonoperating revenues:			
Interest on investments	-	-	-
Operating transfers in (out)	-	-	-
Change in net assets	75,920	(12,397)	(23,602)
Net assets beginning of year	214,099	(6,814)	158,368
Net assets end of year	\$ 290,019	(19,211)	134,766

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	411 Benefits (Active)	Miscel- laneous	Arena Capital Improvement Depreciation Revolving	Total
5,449,012	191,016	550,000	-	100,000	6,652,090
327,980	-	-	-	-	327,980
218,161	-	-	-	-	218,161
5,995,153	191,016	550,000	-	100,000	7,198,231
588,946	141,996	94	4,628	-	739,931
6,584,099	333,012	550,094	4,628	100,000	7,938,162
6,542,017	307,492	169,908	4,628	7,899	7,358,352
42,082	25,520	380,186	-	92,101	579,810
7,646	7,172	-	-	-	14,818
-	150,000	(150,000)	-	-	-
49,728	182,692	230,186	-	92,101	594,628
(168,807)	572,367	23,120	-	100,000	892,333
(119,079)	755,059	253,306	-	192,101	1,486,961

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

Year ended June 30, 2004

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Cash flows from operating activities:			
Cash received from customers and users	\$ 75,920	86,399	200,000
Cash received from other revenues	-	4,267	-
Cash paid for personal services	-	(27,709)	-
Cash paid to suppliers	-	(77,110)	(224,342)
Net cash provided by (used for) operating activities	<u>75,920</u>	<u>(14,153)</u>	<u>(24,342)</u>
Cash flows from noncapital financing activities:			
Negative cash balance implicitly financed	-	14,153	-
Transfer (to) from other funds	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>14,153</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	-	-	-
Net increase (decrease) in cash and cash equivalents	75,920	-	(24,342)
Cash and cash equivalents beginning of year	<u>214,099</u>	<u>-</u>	<u>159,108</u>
Cash and cash equivalents end of year	<u>\$ 290,019</u>	<u>-</u>	<u>134,766</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 75,920	(12,397)	(23,602)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	-	863	-
Decrease in accounts receivable	-	-	-
(Increase) decrease in due from other governments	-	257	-
Decrease in inventories	-	267	-
Increase (decrease) in accounts payable	-	(2,970)	(740)
(Decrease) in salaries and benefits payable	-	(545)	-
(Decrease) in due to other governments	-	-	-
Increase in compensated absences	-	372	-
Total adjustments	<u>-</u>	<u>(1,756)</u>	<u>(740)</u>
Net cash provided by (used for) operating activities	<u>\$ 75,920</u>	<u>(14,153)</u>	<u>(24,342)</u>

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	411 Benefits (Active)	Miscel- laneous	Arena Capital Improvement Depreciation Revolving	Total
6,016,572	191,016	550,095	-	100,000	7,220,002
588,946	66,363	-	5,323	-	664,899
-	-	-	-	-	(27,709)
(6,462,808)	(350,236)	(193,741)	(5,323)	(7,899)	(7,321,459)
142,710	(92,857)	356,354	-	92,101	535,733
-	-	-	-	-	14,153
-	150,000	(150,000)	-	-	-
-	150,000	(150,000)	-	-	14,153
7,646	7,172	-	-	-	14,818
150,356	64,315	206,354	-	92,101	564,704
376,511	615,111	46,952	-	100,000	1,511,781
526,867	679,426	253,306	-	192,101	2,076,485
42,082	25,520	380,186	-	92,101	579,810
-	-	-	-	-	863
21,419	-	-	-	-	21,419
-	(75,633)	-	694	-	(74,682)
-	-	-	-	-	267
168,058	(42,744)	(23,832)	-	-	97,772
-	-	-	-	-	(545)
(88,849)	-	-	(694)	-	(89,543)
-	-	-	-	-	372
100,628	(118,377)	(23,832)	-	-	(44,077)
142,710	(92,857)	356,354	-	92,101	535,733

Schedule 6

City of Council Bluffs

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

June 30, 2004

	Firemen's Pension	411 Benefits	Total
Assets			
Cash and pooled investments	\$ -	105,386	105,386
Property tax:			
Delinquent	260	3,280	3,540
Succeeding year	11,000	137,000	148,000
Total assets	11,260	245,666	256,926
Liabilities			
Accounts payable	173	-	173
Deferred revenue:			
Succeeding year property tax	\$ 11,000	137,000	148,000
Other	122	1,547	1,669
Total liabilities	11,295	138,547	149,842
Net assets held in trust for employee benefits	\$ (35)	107,119	107,084

See accompanying independent auditor's report.

City of Council Bluffs

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

Year ended June 30, 2004

	Firemen's Pension	411 Benefits	Total
Additions:			
Property tax	\$ 9,784	113,916	123,700
Other city tax:			
Utility tax replacement excise tax	928	10,799	11,727
	<u>10,712</u>	<u>124,715</u>	<u>135,427</u>
Miscellaneous	-	2,064	2,064
Total additions	<u>10,712</u>	<u>126,779</u>	<u>137,491</u>
Deductions:			
Benefits and refunds paid to plan members	10,718	93,638	104,356
Administrative expenses	-	8,505	8,505
Total deductions	<u>10,718</u>	<u>102,143</u>	<u>112,861</u>
Change in net assets held in trust for employee benefits	(6)	24,636	24,630
Net assets held in trust for employee benefits beginning of year	<u>(29)</u>	<u>82,483</u>	<u>82,454</u>
Net assets held in trust for employee benefits end of year	<u>\$ (35)</u>	<u>107,119</u>	<u>107,084</u>

See accompanying independent auditor's report.

Schedule 8

City of Council Bluffs

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2004

	Section 8	Municipal Housing Agency	Total
Assets			
Due from other governments	\$ 16,393	27,387	43,780
Liabilities			
Liabilities:			
Accounts payable	\$ 6,393	17,388	23,781
Salaries and benefits payable	7,024	11,643	18,667
Trusts payable	2,976	(1,644)	1,332
Total liabilities	\$ 16,393	27,387	43,780

See accompanying independent auditor's report.

City of Council Bluffs

Combining Statement of Changes in Fiduciary Net Assets
Agency Funds

Year ended June 30, 2004

	Section 8	Municipal Housing Agency	Total
Additions:			
Trusts received	\$ 209,491	348,888	558,379
Deductions:			
Agency remittances:			
Trusts paid out	210,847	351,205	562,052
Change in net assets	(1,356)	(2,317)	(3,673)
Balances beginning of year	4,332	673	5,005
Balances end of year	\$ 2,976	(1,644)	1,332

See accompanying independent auditor's report.

Schedule 10

City of Council Bluffs

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

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Property tax	\$ 24,963,919	23,656,726
Other city tax	12,023,106	10,537,000
Tax increment financing	794,607	970,564
Intergovernmental	12,374,149	12,591,692
Licenses and permits	982,507	898,554
Special assessments	1,374	1,789
Charges for service	3,145,863	3,352,793
Use of money and property	388,327	743,139
Miscellaneous	4,401,510	10,421,653
Total	\$ 59,075,362	63,173,910
Expenditures:		
Operating:		
Public safety	\$ 21,331,574	20,553,454
Public works	10,796,327	7,063,654
Culture and recreation	4,629,009	5,541,315
Health and social services	1,429,313	1,212,027
Community and economic development	2,914,913	2,732,121
General government	5,375,981	4,323,001
Non-program	-	295,979
Debt service	7,889,109	10,535,859
Capital projects	8,498,096	20,248,881
Total	\$ 62,864,322	72,506,291

See accompanying independent auditor's report.

City of Council Bluffs
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants	14.218	B-04-MC-19-0005	\$ 259,620
Community Development Block Grants/Entitlement Grants	14.218	B-03-MC-19-0005	<u>1,186,773</u>
			<u>1,446,393</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-IA-0191	<u>357,660</u>
U.S. Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0424	<u>81,837</u>
U.S. Department of Justice/Office of Community Oriented Policing Services:			
Planning, Implementing, and Enhancing Strategies in Community Prosecution - Gun Violence Prosecutio	16.609	03-SD06	<u>9,071</u>
U.S. Department of Justice/Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants	16.710	95CCWX0482	<u>3,122</u>
U.S. Department of Homeland Security:			
Public Assistance Grants	97.036	EMK-2001-GR-0031	<u>105,883</u>
Total direct			<u>2,003,966</u>

Schedule 11

City of Council Bluffs

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	03-ES-007	<u>110,000</u>
City of Omaha, Nebraska:			
Home Investment Partnerships Program	14.239	FY2002	210,000
Home Investment Partnerships Program	14.239	FY2003	<u>125,000</u>
			<u>335,000</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	03A-0206	87,359
Byrne Formula Grant Program	16.579	01A-0207	412
Byrne Formula Grant Program	16.579	02A-0206	<u>12,175</u>
			<u>99,946</u>
Bulletproof Vest Partnership Program	16.607	01004270	<u>7,152</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1642(637)--70-78	1,030,717
Highway Planning and Construction	20.205	STP-U-1642(22)--70-78	2,059,562
Highway Planning and Construction	20.205	BRM-1642(624)--8J-78	6,402
Highway Planning and Construction	20.205	BROS-1642(628)--8J-78	<u>21,134</u>
			<u>3,117,815</u>
Metro Area Transit of Omaha, Nebraska:			
Federal Transit - Formula Grants	20.507	FY03	<u>127,851</u>

City of Council Bluffs
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Metro Area Transit of Omaha, Nebraska:			
State Planning and Research	20.515	FY02	2,785
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-163	7,783
State and Community Highway Safety	20.600	PAP 04-04	12,209
State and Community Highway Safety	20.600	PAP 03-02	1,724
			<u>21,716</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5884AP07	37,012
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5883AP07	32,906
			<u>69,918</u>
Immunization Grants	93.268	5883I420	30,394
Immunization Grants	93.268	5884I420	33,214
			<u>63,608</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2004-ELC08	1,000
Preventive Health and Health Services Block Grant	93.991	5883TB20	4,250
Total indirect			<u>3,961,041</u>
Total			<u>\$ 5,965,007</u>

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

See accompanying independent auditor's report.

City of Council Bluffs



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

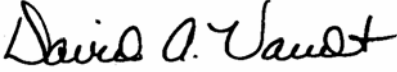
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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. Prior year statutory comments have been resolved except for items IV-B-04 and IV-I-04.


Internal Control Over Financial Reporting

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

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. 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

November 23, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

City of Council Bluffs



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STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

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 its major federal programs for the year ended June 30, 2004. 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 grants applicable to its major federal programs is the responsibility of the City of Council Bluffs' management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions 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's 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 its major federal programs for the year ended June 30, 2004.

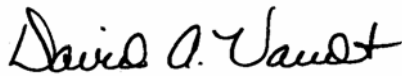
Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of

laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 23, 2004

City of Council Bluffs
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are 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 14.239 – Home Investment Partnerships Program
 - CFDA Number 20.205 – Highway Planning and Construction Grants
- (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, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

City of Council Bluffs
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – We will monitor this more closely, in the future, and will amend the budget as required, if necessary.

Conclusion – Response accepted.

IV-C-04 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-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-F-04 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-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

IV-I-04 Financial Condition – At June 30, 2004, the following funds had deficit balances:

<u>Fund</u>	<u>June 30, 2004 Balance</u>
Special Revenue: HOME Program	\$ (13,700)
Internal Service: Graphic Art Revolving Self Insurance	(19,211) (119,079)
Pension and Other Employee Benefits Trust: Firemen's Pension	(35)

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

Response – The City plans to eliminate the deficit fund balances upon receipt of future grants and other receipts.

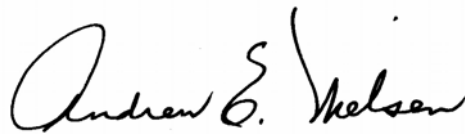
Conclusion – Response accepted.

City of Council Bluffs

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Paul F. Kearney, CGFM, Senior Auditor
Brad T. Holtan, Staff Auditor
Ryan J. Johnson, Assistant Auditor
Bobbie J. Zediker, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State