



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 10, 2006

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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 \$80,526,822 for the year ended June 30, 2005, a 43 percent decrease from the prior year. Revenues included \$36,108,547 in property tax, \$902,756 from tax increment financing, \$15,917,031 from charges for service, \$9,269,570 from operating grants, contributions and restricted interest, \$8,781,076 from capital grants, contributions and restricted interest, \$7,026,486 from local option sales tax, \$478,686 from unrestricted investment earnings and \$2,042,670 from other general revenues.

Expenses for City operations totaled \$66,470,827, a 21 percent increase from the prior year, and included \$22,792,665 for public safety, \$11,435,866 for public works and \$7,152,050 for culture and recreation. Expenses for business type activities totaled \$9,301,192.

The significant decrease in revenues is due primarily to capital contributions received by the City in the prior year for the Mid-America Center. No similar/significant capital contributions were received during fiscal year 2005. Expenditures increased in the culture and recreation, community and economic development and general government functions.

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

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CITY OF COUNCIL BLUFFS

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

JUNE 30, 2005

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City of Council Bluffs

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Hanafan	Mayor	Jan 2006
Scott Belt	Mayor Pro tem	Jan 2006
Arthur Hill (Appointed)	Council Member	Jan 2006
David Tobias	Council Member	Jan 2006
Lynne Branigan	Council Member	Jan 2008
Chad Primmer	Council Member	Resigned
Matt Walsh	Council Member	Jan 2008
Cindy Lynch	Personnel Director	Indefinite
Scott Sanders	Director of Finance	Indefinite
Janet Obrecht	Internal Auditor	Indefinite
Cheryl 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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Council Bluffs Airport Authority, is based solely upon the report of the other auditors.

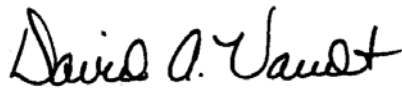
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

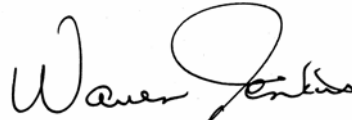
In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2005 on our consideration of the City of Council Bluffs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Council Bluffs' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2005

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, 2005. 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, 2005 by \$238,235,975. Of this amount, \$10,642,640 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$14,055,995 during the year. The net assets associated with governmental activities increased \$12,944,780 and the net assets associated with business type activities increased by \$1,111,215.
- The City's overall long-term liabilities increased to \$59,582,520 during the year, an increase of \$1,365,154. The general obligation bond indebtedness increased by \$1,215,000 due in part to the \$8,000,000 Series 2005A Bond Series for which the Sewer Enterprise will pay for half the debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

One of the most important questions asked about the City's finances is, "Is the City of Council Bluffs in a better financial position at the end of this fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The analysis that follows shows the City's total net assets at June 30, 2005 and 2004.

	Governmental Activities		Business Type Activities		Total	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
Current and other assets	\$ 62,752,103	54,510,177	6,161,245	5,625,777	68,913,348	60,135,954
Capital assets	184,325,797	177,430,760	81,251,735	76,443,516	265,577,532	253,874,276
Total assets	247,077,900	231,940,937	87,412,980	82,069,293	334,490,880	314,010,230
Long-term liabilities	54,030,270	56,046,902	5,552,250	2,170,464	59,582,520	58,217,366
Other liabilities	34,974,686	30,765,871	1,697,699	847,013	36,672,385	31,612,884
Total liabilities	89,004,956	86,812,773	7,249,949	3,017,477	96,254,905	89,830,250
Net assets:						
Invested in capital assets, net of related debt	139,458,058	126,998,854	75,903,874	74,461,403	215,361,932	201,460,257
Restricted	12,231,403	12,108,560	-	-	12,231,403	12,108,560
Unrestricted	6,383,483	6,020,750	4,259,157	4,590,413	10,642,640	10,611,163
Total net assets	\$158,072,944	145,128,164	80,163,031	79,051,816	238,235,975	224,179,980

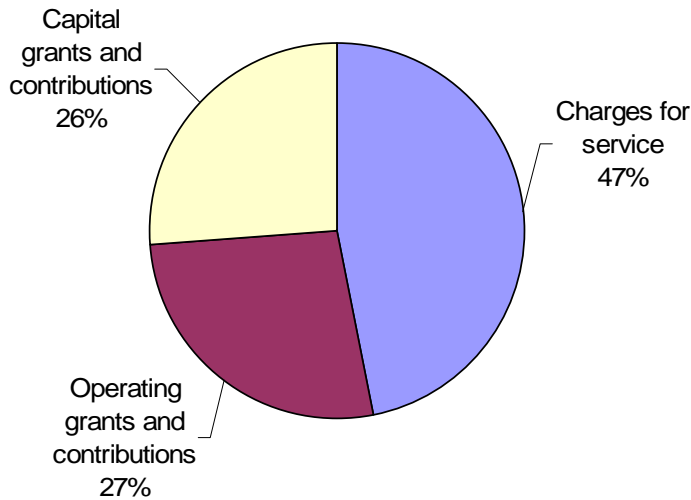
Net assets of governmental activities increased from FY 2004, as restated, by approximately \$12.9 million, or 9%. Net assets of business type activities increased from FY 2004, as restated, by approximately \$1.1 million, or 1.4%. The largest portion of the City's net assets is invested in capital assets (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, 2005 was \$80,526,822. The following table breaks down revenues and transfers for governmental activities and business type activities for the fiscal years ended June 30, 2005 and 2004:

	Governmental		Business		Total	
	Activities		Type		Activities	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
Program revenues:						
Charges for service	\$ 7,607,625	7,247,104	8,309,406	7,704,942	15,917,031	14,952,046
Operating grants and contributions	9,049,800	8,383,880	219,770	65,089	9,269,570	8,448,969
Capital grants and contributions	8,119,602	69,447,605	661,474	3,430,090	8,781,076	72,877,695
Total program revenues	24,777,027	85,078,589	9,190,650	11,200,121	33,967,677	96,278,710
General revenues and transfers:						
Property tax levied for:						
General purposes	21,105,126	19,663,475	-	-	21,105,126	19,663,475
Debt service	5,698,312	5,797,342	-	-	5,698,312	5,797,342
Tax increment financing	902,756	794,607	-	-	902,756	794,607
Local option sales tax	2,909,653	2,815,048	4,116,833	3,711,052	7,026,486	6,526,100
Other city tax	9,305,109	8,716,980	-	-	9,305,109	8,716,980
Grants and contributions not restricted for specific purpose	-	22,569	-	-	-	22,569
Unrestricted investment earnings	478,686	198,245	-	-	478,686	198,245
Miscellaneous	1,847,941	1,941,075	194,921	627,339	2,042,862	2,568,414
Gain (loss) on disposal of capital assets	-	-	(192)	(810,216)	(192)	(810,216)
Transfers	3,089,805	(2,081,606)	(3,089,805)	2,081,606	-	-
Total general revenues and transfers	45,337,388	37,867,735	1,221,757	5,609,781	46,559,145	43,477,516
Total revenues and transfers	\$ 70,114,415	122,946,324	10,412,407	16,809,902	80,526,822	139,756,226

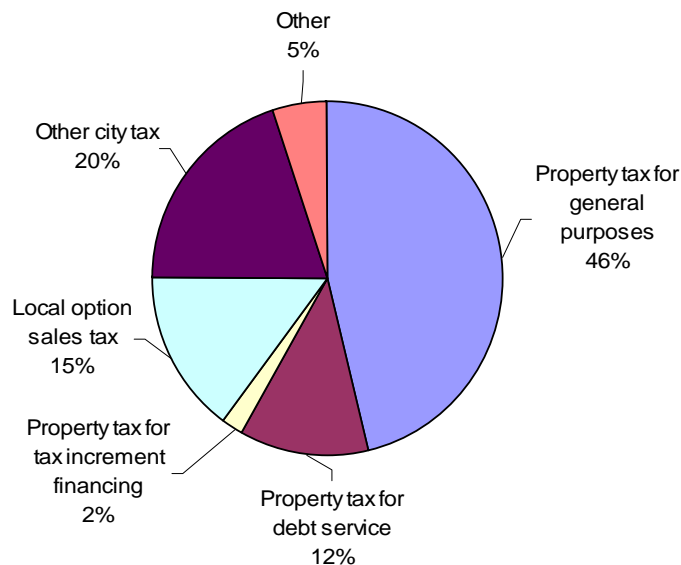
Program revenues totaled \$33,967,677 for the year ended June 30, 2005. Governmental activities provided \$24,777,027 and business type activities provided \$9,190,650. Revenue from charges for service during fiscal year 2005 was \$15,917,031, accounting for approximately 47% of the total program revenues. The following charts break down revenues by source:

FY 05 Program Revenues

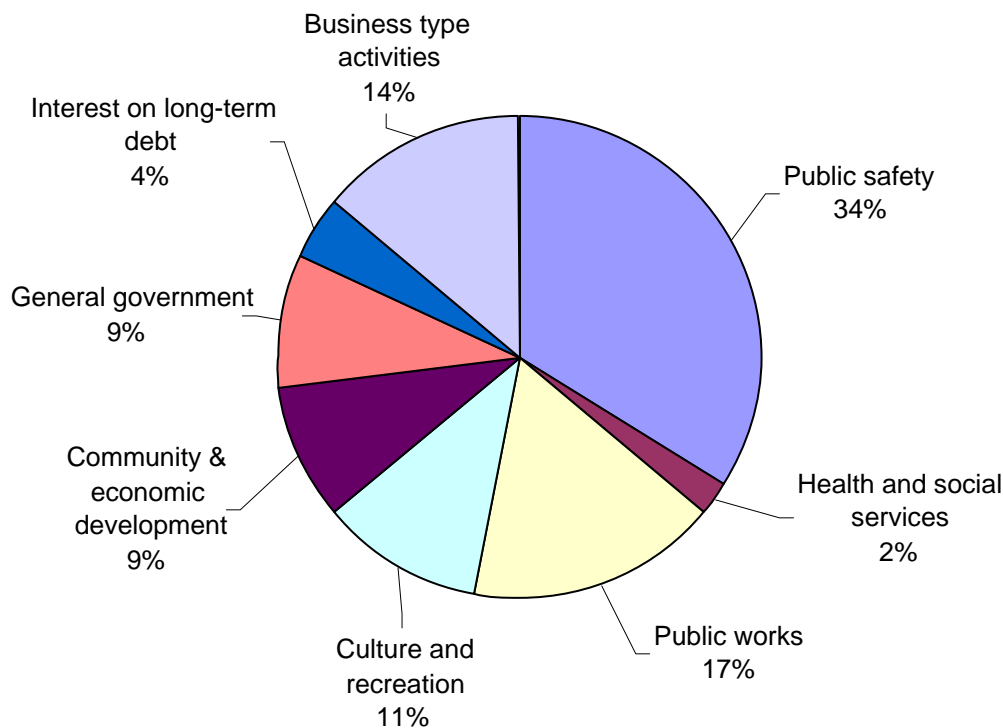


General revenues for the year ended June 30, 2005 totaled \$46,559,145. Governmental activities provided \$45,337,388 and business type activities provided \$1,221,757. Property and other city tax revenues for FY 2005 totaled \$44,037,789, accounting for 95% of general revenues. The following chart illustrates general revenue by source:

FY 05 General Revenues



FY 05 Expenses by Function/Program



Expenses for the primary government for the year ended June 30, 2005 totaled \$66,470,827. Expenses for governmental activities totaled \$57,169,635, accounting for 86% of total expenses. Business type activities expenses totaled \$9,301,192, or 14% of the total. The following table shows total expenses by function/program for the years ended June 30, 2005 and 2004.

Function/Program	Governmental Activities		Business Type Activities		Total	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
Public safety	\$ 22,792,665	\$ 21,798,898	-	-	22,792,665	21,798,898
Public works	11,435,866	12,909,121	-	-	11,435,866	12,909,121
Health and social services	1,195,682	1,068,002	-	-	1,195,682	1,068,002
Culture and recreation	7,152,050	3,860,420	-	-	7,152,050	3,860,420
Community & economic development	5,894,143	2,596,923	-	-	5,894,143	2,596,923
General government	6,200,773	3,324,701	-	-	6,200,773	3,324,701
Interest on long-term debt	2,498,456	2,539,452	-	-	2,498,456	2,539,452
Business type activities	-	-	9,301,192	6,850,596	9,301,192	6,850,596
Total expenses	\$ 57,169,635	48,097,517	9,301,192	6,850,596	66,470,827	54,948,113

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

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

Overall, expenses increased by \$11,522,714, which is a 21% increase from FY 2004.

Governmental Activities

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense) revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for public safety, the City spent \$22,792,665 and received \$2,872,834 in revenue, leaving a cost to taxpayers of \$19,919,831, an increase of 3.96% over FY 2004, 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 \$57,169,635. Of these costs, \$7,607,625 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 \$17,169,402, leaving a net expense of \$32,392,608 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 as follows:

<u>Function/Program:</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>2005</u>	<u>Restated 2004</u>
Public safety	\$ (19,919,831)	(19,161,986)
Public works	(170,877)	(218,631)
Health and social services	(807,757)	(594,884)
Culture and recreation	(5,233,355)	(2,126,230)
Community and economic development	(309,405)	62,104,421
General government	(3,660,143)	(529,000)
Interest on long-term debt	(2,291,240)	(2,492,618)
Net (expense) revenue of governmental activities	(32,392,608)	36,981,072
General revenues & transfers	45,337,388	37,867,735
Change in net assets	<u>\$ 12,944,780</u>	<u>74,848,807</u>

Resources available during the year to finance governmental activities totaled \$215,242,579, consisting of net assets at July 1, 2004 of \$145,128,164, program revenues of \$24,777,027 and general revenues of \$45,337,388. During the year, governmental activities expenses totaled \$57,169,635. As a result, governmental activities net assets increased by \$12,944,780 to \$158,072,944.

Business Type Activities

The cost of all business type activities for the year was \$9,301,192 as shown in the Statement of Activities. The amount charged to the users of the systems was \$8,309,406, and \$881,244 was funded from grants and contributions, resulting in total net expense for business type activities of \$110,542. The net (expense) revenue by business type activity for the year ended June 30, 2005 is as follows:

	Net (Expense) Revenue and Changes in Net Assets	
	2005	Restated 2004
Sewer	\$ (187,918)	4,509,865
Nonmajor	77,376	(160,340)
Total net (expense) revenue	(110,542)	4,349,525
General revenues and transfers	1,221,757	5,609,781
Change in net assets	\$ 1,111,215	9,959,306

Resources available during the year to finance business type activities totaled \$98,575,438, consisting of net assets, as restated, at July 1, 2004 of \$79,051,816, program revenues of \$9,190,650 and general revenues of \$1,221,757. During the year, business type activities expenses totaled \$9,301,192. As a result, business type activities net assets increased by only \$1,111,215. Subsequently, a rate increase was implemented to ensure that expenses did not out-pace revenues.

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 \$23,506,182. The combined governmental fund balances increased \$2,528,567 from the prior year.

The balances of the General and City Insurance Fund increased minimally from the prior year end, while the Capital Projects Fund increased by \$3,126,614. The Debt Service Fund balance decreased \$927,076 from the prior year end due to retirement of certain bonds and reduction of the portion of the balance set aside as capitalized interest. The total of the balances of the nonmajor governmental funds decreased by a net amount of \$320,956.

BUDGETARY HIGHLIGHTS

The City amended the budget once in May 2005. The amendment was made to include higher costs for fuel, transit contracts, insurance premiums, sewer operations, as well as prepayment of principal on existing bonds to facilitate a refunding.

The City is currently in the process of developing an operating budget for the fiscal year ending 2007 that will incorporate significant surpluses for most of the funds, including the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure, represents the value of the resources utilized to provide services to our citizens. Capital assets at June 30, 2005 were \$265,577,532 (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 new Police Firing Range, Parks Department improvements to Bayliss Park and continuation of the trails, and new dump trucks for the Street Department. The majority of the equipment acquired pertained to vehicles and equipment for the public safety program, which includes the Police and Fire Departments.

For business type activities, sewer projects completed include the US275/South 24th Street Sewer, 14th Avenue Reconstruction, Eagle Trail Subdivision Phase 1 and Valley View Drive Extension.

Construction in progress at June 30, 2005 includes the 2nd Avenue Reconstruction, WWTP Improvement, South 6th Street Improvements and US 275 San/Swr Improvement. These projects are funded with local option sales tax revenues, debt proceeds and federal and state grants.

Long-term Debt

At June 30, 2005, the City had \$57.6 million in bonds and notes outstanding versus \$56.4 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 equipment and various capital improvements in the City.

Both the City's direct and overall debt burdens of 2.58% and 3.88%, respectively, are average and the retirement of debt is rapid, with 90.6% retired in ten years and all debt retired within fifteen years. The City's property tax-supported capital improvement plan is structured such that the City's annual borrowings approximate or are less than the amounts being retired on an annual basis. Consequently, the City's debt burden is expected to decline, given expected continuation of tax base growth, rapid principal amortization and modest future debt plans of approximately \$4.5 million annually.

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

ECONOMIC FACTORS

The City's operating tax base has grown moderately, averaging 3.1% annually since January of 2001. Meanwhile, the labor-intensive operational costs typically rise between 6% and 7% annually. Due to the need for 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 8% of the City's taxable valuation and a large percentage of the labor force.

Local option sales tax revenue continues to be strong at about \$7 million in FY 2005. Revenue is expected to increase by \$1.5 million for FY 2006 with the opening of Bass Pro Outdoor World and other retail establishments.

Another indication of improving economics is the increase in hotel/motel tax collections. It has increased steadily by \$75,000 a year. The improvement is due to more hotels being built and more attractions and events drawing patrons from out of town. The increase in revenues is projected to continue into the near future. Plans for a 150+ room hotel have been approved and construction will start in the spring of 2006.

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, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 23,047,567	3,628,153	26,675,720
Receivables:			
Property tax:			
Delinquent	695,035	-	695,035
Succeeding year	28,164,000	-	28,164,000
Tax increment financing:			
Delinquent	32,228	-	32,228
Succeeding year	1,194,000	-	1,194,000
Accounts (net of \$42,000 allowance for uncollectible accounts in the General Fund)	2,315,905	806	2,316,711
Special and drainage assessments	314,071	-	314,071
Customer accounts and unbilled usage	-	1,702,297	1,702,297
Accrued interest	5,178	-	5,178
Installment loans (net)	904,240	-	904,240
Due from other governments	4,089,700	712,248	4,801,948
Inventories	953,681	117,741	1,071,422
Prepaid insurance	364,498	-	364,498
Total current assets	<u>62,080,103</u>	<u>6,161,245</u>	<u>68,241,348</u>
Noncurrent assets:			
Land held for resale	672,000	-	672,000
Capital assets (net of accumulated depreciation)	184,325,797	81,251,735	265,577,532
Total noncurrent assets	<u>184,997,797</u>	<u>81,251,735</u>	<u>266,249,532</u>
Total assets	<u>247,077,900</u>	<u>87,412,980</u>	<u>334,490,880</u>
Liabilities			
Current liabilities:			
Accounts payable	4,245,095	1,489,938	5,735,033
Salaries and benefits payable	1,027,607	124,758	1,152,365
Accrued interest payable	199,503	-	199,503
Due to other governments	144,481	19,343	163,824
Deferred revenue:			
Succeeding year property tax	28,164,000	-	28,164,000
Succeeding year tax increment financing	1,194,000	-	1,194,000
Other	-	63,660	63,660
Current portion due within one year:			
Notes payable	-	-	-
General obligation bonds/notes	6,712,500	382,500	7,095,000
Capital lease purchase agreement	13,893	-	13,893
Compensated absences	1,370,805	142,894	1,513,699
Total current liabilities	<u>43,071,884</u>	<u>2,223,093</u>	<u>45,294,977</u>
Noncurrent liabilities:			
General obligation bonds/notes	45,539,625	4,965,361	50,504,986
Capital lease purchase agreement	67,844	-	67,844
Compensated absences	325,603	61,495	387,098
Total noncurrent liabilities	<u>45,933,072</u>	<u>5,026,856</u>	<u>50,959,928</u>
Total liabilities	<u>89,004,956</u>	<u>7,249,949</u>	<u>96,254,905</u>

Component Units	
Airport Authority	Library Foundation
520,524	1,481,289
8,665	-
-	-
-	-
-	-
1,500	-
-	-
-	-
-	-
1,249,394	-
-	-
17,843	-
<u>1,797,926</u>	<u>1,481,289</u>
-	-
9,860,967	-
<u>9,860,967</u>	<u>-</u>
11,658,893	1,481,289
2,761	-
206	-
-	-
-	-
-	-
9,010	-
2,506,818	-
-	-
-	-
-	-
<u>2,518,795</u>	<u>-</u>
-	-
-	-
-	-
<u>2,518,795</u>	<u>-</u>

City of Council Bluffs
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	
Net Assets			
Invested in capital assets, net of related debt	139,458,058	75,903,874	215,361,932
Restricted for:			
Local option sales tax	3,373,174	-	3,373,174
Streets	1,754,762	-	1,754,762
Library	-	-	-
Debt service	1,110,569	-	1,110,569
Capital projects	3,496,436	-	3,496,436
Other purposes	2,496,462	-	2,496,462
Unrestricted	6,383,483	4,259,157	10,642,640
Total net assets	\$ 158,072,944	80,163,031	238,235,975

See notes to financial statements.

Component Units	
Airport Authority	Library Foundation
7,354,149	-
-	-
-	-
-	1,481,289
-	-
-	-
-	-
1,785,949	-
<u>9,140,098</u>	<u>1,481,289</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 22,792,665	2,442,490	211,734	218,610
Public works	11,435,866	766,126	5,195,276	5,303,587
Health and social services	1,195,682	174,939	212,986	-
Culture and recreation	7,152,050	1,371,588	324,059	223,048
Community and economic development	5,894,143	231,229	2,979,152	2,374,357
General government	6,200,773	2,535,926	4,704	-
Interest on long-term debt	2,498,456	85,327	121,889	-
Total governmental activities	<u>57,169,635</u>	<u>7,607,625</u>	<u>9,049,800</u>	<u>8,119,602</u>
Business Type Activities:				
Sewer	6,013,604	5,021,719	142,493	661,474
Other	3,287,588	3,287,687	77,277	-
Total business type activities	<u>9,301,192</u>	<u>8,309,406</u>	<u>219,770</u>	<u>661,474</u>
Total primary government	<u>\$ 66,470,827</u>	<u>15,917,031</u>	<u>9,269,570</u>	<u>8,781,076</u>
Component Units:				
Airport Authority	\$ 491,834	96,488	-	3,486,208
Library Foundation	131,671	-	159,339	-
Total component units	<u>\$ 623,505</u>	<u>96,488</u>	<u>159,339</u>	<u>3,486,208</u>
General Revenues and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other city tax				
Loss on disposal of capital assets				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Library Foundation	
(19,919,831)	-	(19,919,831)	-	-	
(170,877)	-	(170,877)	-	-	
(807,757)	-	(807,757)	-	-	
(5,233,355)	-	(5,233,355)	-	-	
(309,405)	-	(309,405)	-	-	
(3,660,143)	-	(3,660,143)	-	-	
(2,291,240)	-	(2,291,240)	-	-	
<u>(32,392,608)</u>	<u>-</u>	<u>(32,392,608)</u>	<u>-</u>	<u>-</u>	
-	(187,918)	(187,918)	-	-	
-	77,376	77,376	-	-	
-	<u>(110,542)</u>	<u>(110,542)</u>	<u>-</u>	<u>-</u>	
<u>(32,392,608)</u>	<u>(110,542)</u>	<u>(32,503,150)</u>	<u>-</u>	<u>-</u>	
-	-	-	3,090,862	-	
-	-	-	-	27,668	
-	-	-	<u>3,090,862</u>	<u>27,668</u>	
21,105,126	-	21,105,126	367,944	-	
5,698,312	-	5,698,312	-	-	
902,756	-	902,756	-	-	
2,909,653	4,116,833	7,026,486	-	-	
9,305,109	-	9,305,109	-	-	
-	(192)	(192)	-	-	
478,686	-	478,686	5,312	-	
1,847,941	194,921	2,042,862	7,550	-	
3,089,805	(3,089,805)	-	-	-	
<u>45,337,388</u>	<u>1,221,757</u>	<u>46,559,145</u>	<u>380,806</u>	<u>-</u>	
12,944,780	1,111,215	14,055,995	3,471,668	27,668	
<u>145,128,164</u>	<u>79,051,816</u>	<u>224,179,980</u>	<u>5,668,430</u>	<u>1,453,621</u>	
<u>\$ 158,072,944</u>	<u>80,163,031</u>	<u>238,235,975</u>	<u>9,140,098</u>	<u>1,481,289</u>	

Exhibit C

City of Council Bluffs

Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue					Total
	General	City Insurance	Debt Service	Capital Projects	Nonmajor	
Assets						
Cash and pooled investments	\$ 2,801,988	176,798	685,125	9,796,024	6,734,265	20,194,200
Receivables:						
Property tax:						
Delinquent	354,936	81,199	140,009	-	118,891	695,035
Succeeding year	14,157,000	3,358,000	5,773,000	-	4,876,000	28,164,000
Tax increment financing:						
Delinquent	-	-	-	-	32,228	32,228
Succeeding year	-	-	-	-	1,194,000	1,194,000
Accounts (net)	1,275,503	-	-	605,518	127,804	2,008,825
Special and drainage assessments	289,383	-	-	1,862	22,826	314,071
Accrued interest	5,178	-	-	-	-	5,178
Advance to other funds	1,313,647	-	-	-	-	1,313,647
Due from other funds	593,278	-	-	-	1,293	594,571
Due from other governments	900,783	-	-	2,052,666	1,136,251	4,089,700
Installment loans (net)	-	-	-	125,000	779,240	904,240
Inventories	209,700	-	-	-	743,981	953,681
Prepaid insurance	286,356	-	-	-	-	286,356
Land held for resale	-	-	-	672,000	-	672,000
Total assets	\$ 22,187,752	3,615,997	6,598,134	13,253,070	15,766,779	61,421,732
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 326,025	-	-	2,287,850	803,142	3,417,017
Salaries and benefits payable	873,071	-	-	-	154,536	1,027,607
Due to other funds	1,293	-	-	-	593,278	594,571
Advance from other funds	-	-	-	-	1,313,647	1,313,647
Due to other governments	131,600	-	-	2,659	10,222	144,481
Deferred revenue:						
Succeeding year property tax	14,157,000	3,358,000	5,773,000	-	4,876,000	28,164,000
Succeeding year tax increment financing	-	-	-	-	1,194,000	1,194,000
Other	1,169,914	33,621	56,461	750,129	50,102	2,060,227
Total liabilities	16,658,903	3,391,621	5,829,461	3,040,638	8,994,927	37,915,550
Fund balances:						
Reserved for:						
Inventories	209,700	-	-	-	743,981	953,681
Prepaid insurance	286,356	-	-	-	-	286,356
Encumbrances	6,301	-	-	-	-	6,301
Debt service	-	-	768,673	-	484,937	1,253,610
Advance to other funds	1,313,647	-	-	-	-	1,313,647
Permanent fund	-	-	-	-	59,105	59,105
Unreserved:						
General fund	3,712,845	-	-	-	-	3,712,845
Special revenue funds	-	224,376	-	-	5,483,829	5,708,205
Capital projects fund	-	-	-	10,212,432	-	10,212,432
Total fund balances	5,528,849	224,376	768,673	10,212,432	6,771,852	23,506,182
Total liabilities and fund balances	\$ 22,187,752	3,615,997	6,598,134	13,253,070	15,766,779	61,421,732

See notes to financial statements.

City of Council Bluffs

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

June 30, 2005

Total governmental fund balances (page 24) \$ 23,506,182

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 \$240,124,687 and the accumulated depreciation is \$55,800,709. 184,323,978

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 2,060,227

Internal service funds are used by management to charge the costs of certain activities to individual funds, including the partial self funding of the City's health insurance benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 2,412,330

Long-term liabilities, including bonds and notes payable, capital lease 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. (54,229,773)

Net assets of governmental activities (page 20) \$ 158,072,944

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, 2005

	Special Revenue					Total
	General	City Insurance	Debt Service	Capital Projects	Nonmajor	
Revenues:						
Property tax	\$ 13,612,047	3,152,079	5,227,507	-	4,354,425	26,346,058
Other city tax	8,619,763	283,574	472,246	-	3,311,425	12,687,008
Tax increment financing	-	-	-	-	902,756	902,756
Intergovernmental	894,528	-	-	4,824,363	7,020,384	12,739,275
Licenses and permits	1,164,112	-	-	-	12,110	1,176,222
Special assessments	-	-	-	682	352	1,034
Charges for service	3,034,449	-	85,326	-	164,799	3,284,574
Use of money and property	669,867	-	121,889	-	27,141	818,897
Miscellaneous	1,307,743	-	-	2,327,014	2,956,561	6,591,318
Total revenues	29,302,509	3,435,653	5,906,968	7,152,059	18,749,953	64,547,142
Expenditures:						
Operating:						
Public safety	22,729,794	-	-	-	152,371	22,882,165
Public works	1,473,751	-	-	-	8,232,787	9,706,538
Health and social services	1,185,364	-	-	-	11,214	1,196,578
Culture and recreation	4,377,543	-	-	-	225,258	4,602,801
Community and economic development	350,129	-	-	100,000	4,577,560	5,027,689
General government	4,895,791	-	-	-	71,546	4,967,337
Debt service:						
Principal redeemed	-	-	12,802,500	-	-	12,802,500
Interest paid	-	-	2,450,482	-	-	2,450,482
Miscellaneous debt expense	-	-	51,450	-	-	51,450
Capital projects	-	-	-	12,150,551	-	12,150,551
Total expenditures	35,012,372	-	15,304,432	12,250,551	13,270,736	75,838,091
Excess (deficiency) of revenues over (under) expenditures	(5,709,863)	3,435,653	(9,397,464)	(5,098,492)	5,479,217	(11,290,949)
Other financing sources (uses):						
General obligation bonds issued	-	-	6,959,571	3,695,429	-	10,655,000
Proceeds from capital lease	83,936	-	-	-	-	83,936
Sale of capital assets	-	-	-	-	26,826	26,826
Operating transfers in	9,097,320	1,500,000	2,800,256	6,534,907	700,313	20,632,796
Operating transfers out	(2,893,568)	(4,863,493)	(1,289,439)	(2,005,230)	(6,527,312)	(17,579,042)
Total other financing sources (uses)	6,287,688	(3,363,493)	8,470,388	8,225,106	(5,800,173)	13,819,516
Net change in fund balances	577,825	72,160	(927,076)	3,126,614	(320,956)	2,528,567
Fund balances beginning of year	4,951,024	152,216	1,695,749	7,085,818	7,092,808	20,977,615
Fund balances end of year	\$ 5,528,849	224,376	768,673	10,212,432	6,771,852	23,506,182

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, 2005

Net change in fund balances-total governmental funds (page 26) \$ 2,528,567

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	\$ 14,004,785	
Contributed assets	571,614	
Depreciation expense	<u>(7,030,076)</u>	7,546,323

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. (655,721)

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	(14,870)	
Other	<u>593,778</u>	578,908

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

Issued	(10,738,936)	
Repaid	<u>12,804,699</u>	2,065,763

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	(49,131)	
Interest on long-term debt	<u>4,702</u>	(44,429)

Internal service funds are used by management to charge the costs of certain activities to individual funds, including the partial self funding of the City's health insurance benefit plan. The change in net assets of the internal service funds is reported with governmental activities. 925,369

Change in net assets of governmental activities (page 23) \$ 12,944,780

See notes to financial statements.

Exhibit G

City of Council Bluffs
Statement of Net Assets
Proprietary Funds

June 30, 2005

	Business Type Activities - Enterprise Funds			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service Funds
Assets				
Current assets:				
Cash and pooled investments	\$ 2,850,244	777,909	3,628,153	2,853,367
Receivables:				
Accounts	806	-	806	307,080
Customer accounts and unbilled usage	901,428	800,869	1,702,297	-
Due from other governments	691,336	20,912	712,248	-
Inventories	107,934	9,807	117,741	-
Prepaid insurance	-	-	-	78,142
Total current assets	4,551,748	1,609,497	6,161,245	3,238,589
Noncurrent assets:				
Capital assets, net of accumulated depreciation	77,963,323	3,288,412	81,251,735	1,819
Total assets	82,515,071	4,897,909	87,412,980	3,240,408
Liabilities				
Current liabilities:				
Accounts payable	1,282,049	207,889	1,489,938	828,078
Salaries and benefits payable	99,022	25,736	124,758	-
Due to other governments	17,914	1,429	19,343	-
Deferred revenue	-	63,660	63,660	-
General obligation capital loan notes payable	382,500	-	382,500	-
Compensated absences	116,399	26,495	142,894	-
Total current liabilities	1,897,884	325,209	2,223,093	828,078
Noncurrent liabilities:				
General obligation capital loan notes payable (net of unamortized discount)	965,361	-	965,361	-
General obligation bonds	4,000,000	-	4,000,000	-
Compensated absences	60,408	1,087	61,495	-
Total noncurrent liabilities	5,025,769	1,087	5,026,856	-
Total liabilities	6,923,653	326,296	7,249,949	828,078
Net Assets				
Invested in capital assets, net of related debt	72,615,462	3,288,412	75,903,874	1,819
Unrestricted	2,975,956	1,283,201	4,259,157	2,410,511
Total net assets	\$ 75,591,418	4,571,613	80,163,031	2,412,330

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, 2005

	Business Type Activities - Enterprise Funds			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Activities Internal Service Funds
Operating revenues:				
Use of money and property	\$ 7,225	-	7,225	-
Charges for service	5,002,659	2,919,854	7,922,513	8,071,767
Miscellaneous	439,972	367,834	807,806	290,627
Total operating revenues	<u>5,449,856</u>	<u>3,287,688</u>	<u>8,737,544</u>	<u>8,362,394</u>
Operating expenses:				
Business type activities:				
Sewer system and sewage disposal	4,225,087	-	4,225,087	-
Refuse disposal	-	3,130,564	3,130,564	-
Depreciation	1,685,140	157,024	1,842,164	-
Non-program	-	-	-	7,512,654
Total operating expenses	<u>5,910,227</u>	<u>3,287,588</u>	<u>9,197,815</u>	<u>7,512,654</u>
Operating income (loss)	<u>(460,371)</u>	<u>100</u>	<u>(460,271)</u>	<u>849,740</u>
Nonoperating revenues (expenses):				
Local option sales tax	4,116,833	-	4,116,833	-
Interest income	-	-	-	39,578
State and federal grants	126,037	77,277	203,314	-
Interest expense	(100,129)	-	(100,129)	-
Miscellaneous debt expense	(3,248)	-	(3,248)	-
Loss on disposal of capital assets	(28)	(164)	(192)	-
Total nonoperating revenues (expenses)	<u>4,139,465</u>	<u>77,113</u>	<u>4,216,578</u>	<u>39,578</u>
Net income before contributions and transfers	<u>3,679,094</u>	<u>77,213</u>	<u>3,756,307</u>	<u>889,318</u>
Contributions and transfers:				
Capital contributions and grants	444,713	-	444,713	-
Transfers in	1,926,195	-	1,926,195	36,051
Transfers out	(5,016,000)	-	(5,016,000)	-
Total contributions and transfers	<u>(2,645,092)</u>	<u>-</u>	<u>(2,645,092)</u>	<u>36,051</u>
Change in net assets	1,034,002	77,213	1,111,215	925,369
Net assets beginning of year, as restated	<u>74,557,416</u>	<u>4,494,400</u>	<u>79,051,816</u>	<u>1,486,961</u>
Net assets end of year	<u>\$75,591,418</u>	<u>4,571,613</u>	<u>80,163,031</u>	<u>2,412,330</u>

See notes to financial statements.

Exhibit I

City of Council Bluffs

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	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	\$ 4,936,985	2,849,805	7,786,790	7,962,710
Cash received from other revenues	533,082	371,495	904,577	366,260
Cash paid for personal services	(3,026,074)	(811,500)	(3,837,574)	(34,598)
Cash paid to suppliers	(333,557)	(2,336,390)	(2,669,947)	(7,593,119)
Net cash provided by operating activities	<u>2,110,436</u>	<u>73,410</u>	<u>2,183,846</u>	<u>701,253</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	1,926,195	-	1,926,195	36,051
Transfers to other funds	(5,016,000)	-	(5,016,000)	-
Net cash provided (used) by noncapital financing activities	<u>(3,089,805)</u>	<u>-</u>	<u>(3,089,805)</u>	<u>36,051</u>
Cash flows from investing activities:				
Interest on investments	-	-	-	39,578
Cash flows from capital and related financing activities:				
Nonoperating grants received	63,802	56,365	120,167	-
Local option sales tax	3,802,206	-	3,802,206	-
Acquisition of capital assets	(6,129,002)	(76,859)	(6,205,861)	-
Proceeds from general obligation bonds	4,000,000	-	4,000,000	-
Principal paid on general obligation capital loan notes	(637,500)	-	(637,500)	-
Interest paid on general obligation capital loan notes	(100,129)	-	(100,129)	-
Net cash used for capital and related financing activities	<u>999,377</u>	<u>(20,494)</u>	<u>978,883</u>	<u>-</u>
Net increase in cash and cash equivalents	20,008	52,916	72,924	776,882
Cash and cash equivalents beginning of year	2,830,236	724,993	3,555,229	2,076,485
Cash and cash equivalents end of year	<u>\$ 2,850,244</u>	<u>777,909</u>	<u>3,628,153</u>	<u>2,853,367</u>

City of Council Bluffs

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Business Type Activities - Enterprise Funds			Governmental
	Sewer	Nonmajor - Refuse and Disposal	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (460,371)	100	(460,271)	849,740
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,685,140	157,024	1,842,164	(864)
Amortization of deferred charges	24,038	-	24,038	-
(Increase) decrease in customer accounts receivable and unbilled usage	20,211	(71,424)	(51,213)	(109,057)
(Increase) in prepaid insurance	-	-	-	(78,142)
Decrease in due from other governments	-	-	-	75,633
(Increase) decrease in inventories	(36,599)	(996)	(37,595)	13,849
Increase (decrease) in accounts payable	856,966	(23,216)	833,750	(15,988)
Increase (decrease) in salaries and benefits payable	6,261	2,869	9,130	(690)
Increase (decrease) in due to other governments	1,410	1,358	2,768	(29,658)
Increase in deferred revenue	-	5,037	5,037	-
Increase (decrease) in compensated absences	13,380	2,658	16,038	(3,570)
Total adjustments	2,570,807	73,310	2,644,117	(148,487)
Net cash provided by operating activities	\$ 2,110,436	73,410	2,183,846	701,253

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, capital assets of \$444,713 were contributed to the Sewer Fund by developers.

See notes to financial statements.

City of Council Bluffs
Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	<u>Pension and Other Employee Benefit Trust</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 174,234	-
Receivables:		
Property tax:		
Delinquent	3,571	-
Succeeding year	148,000	-
Due from other governments	-	88,917
Total assets	<u>325,805</u>	<u>88,917</u>
Liabilities		
Accounts payable	13,429	-
Due to other governments	-	68,917
Salaries and benefits payable	-	18,450
Trusts payable	-	1,550
Deferred revenue:		
Succeeding year property tax	148,000	-
Other	1,484	-
Total liabilities	<u>162,913</u>	<u>88,917</u>
Net assets held in trust for employee benefits	<u>\$ 162,892</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, 2005

	Pension and Other Employee Benefit Trust
Additions:	
Property and other city tax	\$ 160,410
Miscellaneous	2,098
Total additions	162,508
Deductions:	
Benefits and refunds paid to plan members	100,182
Administrative expenses	6,518
Total deductions	106,700
Change in net assets held in trust for employee benefits	55,808
Net assets held in trust for employee benefits beginning of year	107,084
Net assets held in trust for employee benefits end of year	\$ 162,892

See notes to financial statements.

City of Council Bluffs

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

Jointly Governed Organization

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

Related Organizations and Organizations with Joint Venture Characteristics

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The 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 recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2004.

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, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (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 and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$ 1,000
Machinery, equipment and vehicles	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
Machinery and equipment	5-30 years
Vehicles	5-10 years
Infrastructure	20-65 years

Bond/Note Discounts – Bond/note discounts associated with general obligation bonds/capital loan notes recorded in the proprietary funds are 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 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The City's investments at June 30, 2005 are as follows:

	Fair Value	Maturity
U.S. Treasury securities	\$ 247,671	November 2010
Repurchase agreements	<u>2,000,000</u>	July 2005
Total	<u>\$ 2,247,671</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,446,679 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation's investments at June 30, 2005 consist of mutual funds with a fair value of \$1,481,289.

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

The City's \$2 million investment in repurchase agreements is held in the name of the City and underlying securities (totaling \$2 million) are held by an authorized custodian of the City.

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

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year (as restated, note 17)	Increases	Decreases	Balance End of Year
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,417,669	620,934	-	14,038,603
Construction in progress - infrastructure	8,408,990	6,954,415	(1,611,760)	13,751,645
Construction in progress - other	204,826	1,901,651	-	2,106,477
Total capital assets not being depreciated	22,031,485	9,477,000	(1,611,760)	29,896,725
Capital assets being depreciated:				
Buildings	82,612,402	14,313	(567,801)	82,058,914
Improvements other than buildings	20,549,144	67,626	(3,295)	20,613,475
Machinery and equipment	12,589,438	631,339	(151,708)	13,069,069
Vehicles	7,417,442	813,037	(513,226)	7,717,253
Infrastructure, road network	81,602,311	5,189,279	-	86,791,590
Total capital assets being depreciated	204,770,737	6,715,594	(1,236,030)	210,250,301
Less accumulated depreciation for:				
Buildings	4,438,360	1,553,725	(39,746)	5,952,339
Improvements other than buildings	4,773,934	983,930	(2,572)	5,755,292
Machinery and equipment	5,413,583	846,479	(99,556)	6,160,506
Vehicles	5,330,118	547,065	(438,435)	5,438,748
Infrastructure, road network	29,415,467	3,098,877	-	32,514,344
Total accumulated depreciation	49,371,462	7,030,076	(580,309)	55,821,229
Total capital assets being depreciated, net	155,399,275	(314,482)	(655,721)	154,429,072
Governmental activities capital assets, net	\$ 177,430,760	9,162,518	(2,267,481)	184,325,797
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 6,272,252	-	-	6,272,252
Construction in progress	6,693,178	5,746,885	(4,962,759)	7,477,304
Total capital assets not being depreciated	12,965,430	5,746,885	(4,962,759)	13,749,556
Capital assets being depreciated:				
Buildings	20,496,993	20,133	-	20,517,126
Improvements other than buildings	850,953	-	-	850,953
Machinery and equipment	10,415,189	62,426	(28,993)	10,448,622
Vehicles	1,089,785	390,773	-	1,480,558
Infrastructure, sewer network	53,234,278	5,407,472	-	58,641,750
Total capital assets being depreciated	86,087,198	5,880,804	(28,993)	91,939,009
Less accumulated depreciation for:				
Buildings	7,159,345	396,398	-	7,555,743
Improvements other than buildings	786,152	5,643	-	791,795
Machinery and equipment	3,668,165	409,125	(14,446)	4,062,844
Vehicles	412,716	139,003	-	551,719
Infrastructure, sewer network	10,582,734	891,995	-	11,474,729
Total accumulated depreciation	22,609,112	1,842,164	(14,446)	24,436,830
Total capital assets being depreciated, net	63,478,086	4,038,640	(14,547)	67,502,179
Business type activities capital assets, net	\$ 76,443,516	9,785,525	(4,977,306)	81,251,735

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

Governmental activities:	
Public safety	\$ 666,200
Public works	3,559,537
Health and social services	3,263
Culture and recreation	2,765,188
Community and economic development	11,595
General government	<u>24,293</u>
Total depreciation expense - governmental activities	<u>\$ 7,030,076</u>

Business type activities:	
Sewer	\$ 1,685,140
Nonmajor enterprise fund - refuse and disposal	<u>157,024</u>
Total depreciation expense - business type activities	<u>\$ 1,842,164</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	3,398,184	3,858,002	-	7,256,186
Total capital assets not being depreciated	<u>3,561,248</u>	<u>3,858,002</u>	<u>-</u>	<u>7,419,250</u>
Capital assets being depreciated:				
Buildings	2,349,329	48,746	-	2,398,075
Improvements other than buildings	1,042,591	-	-	1,042,591
Machinery and equipment	183,719	6,936	-	190,655
Total capital assets being depreciated	<u>3,575,639</u>	<u>55,682</u>	<u>-</u>	<u>3,631,321</u>
Less accumulated depreciation for:				
Buildings	777,938	59,139	-	837,077
Improvements other than buildings	218,445	34,754	-	253,199
Machinery and equipment	72,233	27,095	-	99,328
Total accumulated depreciation	<u>1,068,616</u>	<u>120,988</u>	<u>-</u>	<u>1,189,604</u>
Total capital assets being depreciated, net	<u>2,507,023</u>	<u>(65,306)</u>	<u>-</u>	<u>2,441,717</u>
Discretely presented component unit capital assets, net	<u>\$ 6,068,271</u>	<u>3,792,696</u>	<u>-</u>	<u>9,860,967</u>
Total depreciation expense - discretely presented component unit				<u>\$ 120,988</u>

(4) Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 54,399,625	10,655,000	(12,802,500)	52,252,125	6,712,500
Capital lease purchase agreement	-	83,936	(2,199)	81,737	13,893
Compensated absences	1,647,277	1,713,191	(1,664,060)	1,696,408	1,370,805
Total	<u>\$ 56,046,902</u>	<u>12,452,127</u>	<u>(14,468,759)</u>	<u>54,030,270</u>	<u>8,097,198</u>
Business type activities:					
General obligation notes	\$ 1,982,113	4,000,000	(634,252)	5,347,861 (1)	382,500
Compensated absences	188,351	202,917	(186,879)	204,389	142,894
Total	<u>\$ 2,170,464</u>	<u>4,202,917</u>	<u>(821,131)</u>	<u>5,552,250</u>	<u>525,394</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2005 was \$10,014.

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 \$52,252,125 at June 30, 2005. The portion of unmatured general obligation notes expected to be repaid from proprietary fund revenues and accounted for in business type activities totaled \$5,347,861, net of unamortized discount, at June 30, 2005. In compliance with statutory requirements, funds pledged and available in the proprietary funds to service general obligation notes are recorded as reimbursements to the Debt Service Fund in the City's accounting system. General obligation bonds/notes bear interest at rates ranging from 2.50% to 7.0%.

General Obligation Refunding Bonds

On April 20, 2005, the City issued \$6,655,000 of general obligation refunding bonds, series 2005B. The bonds were issued to fund the redemption of the callable portion of the City's outstanding general obligation capital loan notes, series 1995A, dated December 1, 1995, and for the redemption of the City's outstanding general obligation capital loan notes, series 1997A, dated August 1, 1997. These bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2005 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds:						
Essential corporate purpose	Dec 1, 1991	5.000-7.000%	June 1, 2011	\$130,000-370,000	\$4,040,000	1,880,000
Essential corporate purpose	Jul 1, 2001	3.500-4.125	June 1, 2011	975,000-1,530,000	8,700,000	7,725,000
Essential corporate purpose	May 29, 2003	3.000-3.875	June 1, 2018	100,000-1,165,000	5,620,000	4,200,000
Essential corporate purpose	Mar 1, 2004	2.500-3.950	June 1, 2019	100,000-515,000	4,500,000	4,500,000
Essential corporate purpose	Apr 20, 2005	2.800-3.100	June 1, 2007	2,700,000-3,955,000	6,655,000	6,655,000
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2019	380,000-520,000	4,000,000	4,000,000
General obligation capital loan notes:						
Essential corporate purpose	Aug 1, 1996	5.000-5.050	June 1, 2008	745,000-2,104,625	6,630,500	3,967,125
Essential corporate purpose	Feb 1, 1999	3.950-4.000	June 1, 2009	50,000-2,750,000	6,500,000	6,000,000
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	4,275,000
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>\$ 52,252,125</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
2006	\$ 6,712,500	2,177,224	8,889,724
2007	7,125,000	2,186,134	9,311,134
2008	7,119,625	1,645,038	8,764,663
2009	8,165,000	1,335,070	9,500,070
2010	7,590,000	966,895	8,556,895
2011-2015	10,110,000	1,901,242	12,011,242
2016-2019	5,430,000	508,694	5,938,694
Total	<u>\$ 52,252,125</u>	<u>10,720,297</u>	<u>62,972,422</u>

Business type activities:

Details of general obligation notes payable at June 30, 2005 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
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	1,357,875
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2015	250,000-600,000	4,000,000	4,000,000
Total						<u>\$ 5,357,875</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
2006	\$ 382,500	216,815	599,315
2007	255,000	192,129	447,129
2008	970,375	179,379	1,149,754
2009	480,000	134,250	614,250
2010	495,000	117,450	612,450
2011-2015	2,775,000	313,900	3,088,900
	<u>5,357,875</u>	<u>1,153,923</u>	<u>6,511,798</u>
Less: Unamortized discount	(10,014)	-	(10,014)
Total	<u>\$ 5,347,861</u>	<u>1,153,923</u>	<u>6,501,784</u>

Capital Lease Purchase Agreement

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 13,893	6,655	20,548
2007	15,169	5,379	20,548
2008	16,562	3,986	20,548
2009	18,083	2,465	20,548
2010	18,030	792	18,822
Total	<u>\$ 81,737</u>	<u>19,277</u>	<u>101,014</u>

The book value of assets acquired under the capital lease totaled \$81,838. Payments under the capital lease purchase agreement totaled \$3,425 for the year ended June 30, 2005.

At June 30, 2005, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 2,494,330,583</u>
Debt limit – 5% of total actual valuation	\$ 124,716,529
Less debt applicable to debt limit:	
General obligation debt outstanding	57,610,000
Capital lease purchase agreement	81,737
Tax increment indebtedness	<u>13,607,171</u>
Legal debt margin	<u>\$ 53,417,621</u>

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	City Insurance	\$ 4,448,338
	Nonmajor Special Revenue	4,612,549
	Debt Service	36,433
		<u>9,097,320</u>
Special Revenue:	General	1,500,000
City Insurance		
Debt Service	General	500,000
	Nonmajor Special Revenue	1,446,030
	Capital Projects	4,226
	Proprietary:	
	Sewer	850,000
		<u>2,800,256</u>
Capital Projects	General	850,366
	Debt Service	1,253,006
	Nonmajor Special Revenue	265,535
	Proprietary:	
	Sewer	4,166,000
		<u>6,534,907</u>
Nonmajor Special Revenue	General	7,151
	Special Revenue:	
	City Insurance	415,155
	Nonmajor Special Revenue	203,198
	Capital Projects	74,809
		<u>700,313</u>
Proprietary:	Capital Projects	1,926,195
Sewer		
Internal Service	General	36,051
Total		<u>\$ 22,595,042</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, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue:	
	CDBG Grant	\$ 293,878
	HOME Program	299,400
		<u>593,278</u>
Nonmajor Special Revenue:		
Miscellaneous	General	<u>1,293</u>
Total		<u>\$ 594,571</u>

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

Advance to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue:	
	MACC 01-1 TIF	<u>\$ 1,313,647</u>

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

(7) Pension and Retirement Benefits

Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$634,887, \$614,913 and \$605,746, 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, 2005, 2004 and 2003 were \$2,735,684, \$2,183,915 and \$1,764,758, 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, 2005, the City paid \$669,938 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, 2005 was \$6,279,246.

Amounts payable from the Self Insurance Fund at June 30, 2005 total \$768,204, 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, 2004	\$ 832,706
Incurred claims (including claims incurred but not reported as of June 30, 2005)	6,344,997
Payments on claims	<u>(6,409,499)</u>
Unpaid claims as of June 30, 2005	<u>\$ 768,204</u>

(12) Deficit Fund Balances

The Special Revenue, HOME Program and MACC 01-1 TIF Funds had deficit fund balances of \$321,900 and \$1,275,401, respectively, at June 30, 2005. The deficit balances will be eliminated through future grants and collection of tax increment financing receipts.

(13) Construction Commitments

Construction commitments at June 30, 2005 totaled \$14,204,500 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, 2005 carry an interest rate of 3% and have terms ranging from 10 to 20 years. At June 30, 2005, there were 84 active loans with a total outstanding principal balance of \$779,240, 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, 2005, the City rebated \$425,889 of incremental tax to the developers, which included \$282,335 for principal and \$143,554 for interest. The outstanding balance of the agreements at June 30, 2005 was \$11,331,983.

(17) Restatements

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

	Amount
Governmental activities:	
Net assets, June 30, 2004, as previously reported:	\$ 150,419,036
Assets recorded at incorrect amount	(2,661,947)
Correction of construction in progress	(2,628,925)
	\$ 145,128,164
 Business type activities:	
Net assets, June 30, 2004, as previously reported:	\$ 77,226,666
Assets recorded at incorrect amount	68,854
Correction of construction in progress	1,756,296
	\$ 79,051,816

(18) Subsequent Event

In November 2005, the City Council adopted a resolution authorizing the issuance of \$17,000,000 of taxable urban renewal revenue capital loan notes.

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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 26,326,861	-	26,326,861
Tax increment financing	869,264	-	869,264
Other city tax	12,395,435	3,801,920	16,197,355
Licenses and permits	1,176,236	-	1,176,236
Use of money and property	7,738,476	7,225	7,745,701
Intergovernmental	11,205,266	351,741	11,557,007
Charges for service	3,149,074	7,786,511	10,935,585
Special and drainage assessments	100,650	-	100,650
Miscellaneous	7,180,720	666,342	7,847,062
Total receipts	<u>70,141,982</u>	<u>12,613,739</u>	<u>82,755,721</u>
Disbursements:			
Public safety	22,746,382	-	22,746,382
Public works	9,929,689	-	9,929,689
Health and social services	1,188,981	-	1,188,981
Culture and recreation	4,574,818	-	4,574,818
Community and economic development	4,822,771	-	4,822,771
General government	4,899,336	-	4,899,336
Debt service	16,039,399	-	16,039,399
Capital projects	13,466,946	-	13,466,946
Business type activities	-	10,923,025	10,923,025
Total disbursements	<u>77,668,322</u>	<u>10,923,025</u>	<u>88,591,347</u>
Excess (deficiency) of receipts over (under) disbursements	(7,526,340)	1,690,714	(5,835,626)
Other financing sources, net	9,280,972	(1,617,790)	7,663,182
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,754,632	72,924	1,827,556
Balance beginning of year	18,508,484	3,555,229	22,063,713
Balance end of year	<u>\$ 20,263,116</u>	<u>3,628,153</u>	<u>23,891,269</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
26,021,618	26,121,618	205,243
787,398	787,398	81,866
15,380,390	15,680,390	516,965
982,225	1,082,225	94,011
568,900	7,268,900	476,801
18,246,088	18,246,088	(6,689,081)
11,069,000	11,069,000	(133,415)
120,000	120,000	(19,350)
5,492,272	5,492,272	2,354,790
78,667,891	85,867,891	(3,112,170)
23,212,444	23,212,444	466,062
7,626,294	8,001,294	(1,928,395)
540,313	540,313	(648,668)
4,555,042	5,505,042	930,224
3,859,440	4,509,440	(313,331)
4,864,390	5,064,390	165,054
7,102,396	13,802,396	(2,237,003)
19,024,024	19,024,024	5,557,078
14,360,721	14,860,721	3,937,696
85,145,064	94,520,064	5,928,717
(6,477,173)	(8,652,173)	2,816,547
4,200,000	7,500,000	163,182
(2,277,173)	(1,152,173)	2,979,729
22,534,436	22,534,436	(470,723)
20,257,263	21,382,263	2,509,006

City of Council Bluffs
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 70,141,982	(5,594,840)	64,547,142
Expenditures	77,668,322	(1,830,231)	75,838,091
Net	(7,526,340)	(3,764,609)	(11,290,949)
Other financing sources (uses)	9,280,972	4,538,544	13,819,516
Beginning fund balances	18,508,484	2,469,131	20,977,615
Ending fund balances	\$ 20,263,116	3,243,066	23,506,182

	Proprietary Funds		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 12,613,739	443,952	13,057,691
Expenses	10,923,025	(1,621,641)	9,301,384
Net	1,690,714	2,065,593	3,756,307
Other financing sources (uses)	(1,617,790)	2,972,698	1,354,908
Beginning net assets	3,555,229	75,496,587	79,051,816
Ending net assets	\$ 3,628,153	80,534,878	84,163,031

See accompanying independent auditor's report.

City of Council Bluffs

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

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

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

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$9,375,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements in the public works, health and social services, community and economic development and debt service functions exceeded the amounts budgeted.

City of Council Bluffs

Other Supplementary Information

City of Council Bluffs
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue			
	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
Assets				
Cash and pooled investments	\$ 1,063,927	-	-	-
Receivables:				
Property tax:				
Delinquent	-	10,414	-	-
Succeeding year	-	414,000	-	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	1,279	-	-	-
Due from other funds	-	-	-	-
Due from other governments	379,283	-	215,104	-
Installment loans	-	-	779,240	-
Inventories	743,981	-	-	-
Total assets	\$ 2,188,470	424,414	994,344	-
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 84,008	-	118,749	22,500
Salaries and benefits payable	135,595	-	16,800	-
Due to other funds	-	-	293,878	299,400
Advance from other funds	-	-	-	-
Due to other governments	329	-	8,553	-
Deferred revenue:				
Succeeding year property tax	-	414,000	-	-
Succeeding year tax increment financing	-	-	-	-
Other	1,279	4,143	-	-
Total liabilities	221,211	418,143	437,980	321,900
Fund balances:				
Reserved for:				
Inventories	743,981	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	1,223,278	6,271	556,364	(321,900)
Total fund balances	1,967,259	6,271	556,364	(321,900)
Total liabilities and fund balances	\$ 2,188,470	424,414	994,344	-

Funds			
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment
1,668	14,571	3,325,189	192,166
-	-	-	24,572
-	-	-	1,012,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	528,720	-
-	-	-	-
-	-	-	-
1,668	14,571	3,853,909	1,228,738
-	-	480,735	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,012,000
-	-	-	-
-	-	-	10,133
-	-	480,735	1,022,133
-	-	-	-
-	-	-	-
-	-	-	-
1,668	14,571	3,373,174	206,605
1,668	14,571	3,373,174	206,605
1,668	14,571	3,853,909	1,228,738

City of Council Bluffs
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	Special Revenue			
	Workers' Compen- sation	Unemploy- ment Compen- sation	Fire and Police Retire- ment	Mosquito Creek #22
Assets				
Cash and pooled investments	3,445	18,938	318,127	105,440
Receivables:				
Property tax:				
Delinquent	10,334	-	73,571	-
Succeeding year	414,000	-	3,036,000	-
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Special and drainage assessments	-	-	-	815
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Installment loans	-	-	-	-
Inventories	-	-	-	-
Total assets	427,779	18,938	3,427,698	106,255
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	2,141
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	414,000	-	3,036,000	-
Succeeding year tax increment financing	-	-	-	-
Other	4,149	-	30,398	-
Total liabilities	418,149	-	3,066,398	2,141
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved	9,630	18,938	361,300	104,114
Total fund balances	9,630	18,938	361,300	104,114
Total liabilities and fund balances	427,779	18,938	3,427,698	106,255

Drainage District

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	
88,087	161,373	16,146	231	115,862	267,407	81,523	3,305	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,638	827	-	-
-	-	-	40,000	300,000	109,000	-	260,000	-
1,251	4,113	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,083	-	-	4,760	6,522	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
89,338	165,486	16,146	41,314	415,862	379,045	87,110	269,827	
-	10	5,676	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	40,000	300,000	109,000	-	260,000	-
-	-	-	-	-	-	-	-	-
-	10	5,676	40,000	300,000	109,000	-	260,000	-
-	-	-	-	-	-	-	-	-
-	-	-	1,314	115,862	270,045	87,110	9,827	-
-	-	-	-	-	-	-	-	-
89,338	165,476	10,470	-	-	-	-	-	-
89,338	165,476	10,470	1,314	115,862	270,045	87,110	9,827	
89,338	165,486	16,146	41,314	415,862	379,045	87,110	269,827	

City of Council Bluffs
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue				
	Featherstone TIF	Bart's Motel TIF	Manawa Business TIF	MACC 01-1 TIF	U.S. Savings Bond
Assets					
Cash and pooled investments	-	-	-	29,958	125
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Tax increment financing:					
Delinquent	-	-	-	28,763	-
Succeeding year	70,000	75,000	110,000	230,000	-
Accounts	-	-	-	-	362
Special and drainage assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	779	-	-	-	-
Installment loans	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	70,779	75,000	110,000	288,721	487
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	20,475	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	1,313,647	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Succeeding year tax increment financing	70,000	75,000	110,000	230,000	-
Other	-	-	-	-	-
Total liabilities	70,000	75,000	110,000	1,564,122	-
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	-
Debt service	779	-	-	-	-
Endowments	-	-	-	-	-
Unreserved	-	-	-	(1,275,401)	487
Total fund balances	779	-	-	(1,275,401)	487
Total liabilities and fund balances	70,779	75,000	110,000	288,721	487

See accompanying independent auditor's report.

Funds						Permanent Fund	
Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscellaneous	Total Special Revenue	Fairview Cemetery Perpetual Care	Total
23,389	197,956	115,119	240,198	291,010	6,675,160	59,105	6,734,265
-	-	-	-	-	118,891	-	118,891
-	-	-	-	-	4,876,000	-	4,876,000
-	-	-	-	-	32,228	-	32,228
-	-	-	-	-	1,194,000	-	1,194,000
-	-	-	-	127,442	127,804	-	127,804
-	-	-	-	15,368	22,826	-	22,826
-	-	-	-	1,293	1,293	-	1,293
-	-	-	-	-	1,136,251	-	1,136,251
-	-	-	-	-	779,240	-	779,240
-	-	-	-	-	743,981	-	743,981
23,389	197,956	115,119	240,198	435,113	15,707,674	59,105	15,766,779
-	2,042	-	-	68,947	803,142	-	803,142
-	-	-	-	-	154,536	-	154,536
-	-	-	-	-	593,278	-	593,278
-	-	-	-	-	1,313,647	-	1,313,647
-	-	-	-	1,340	10,222	-	10,222
-	-	-	-	-	4,876,000	-	4,876,000
-	-	-	-	-	1,194,000	-	1,194,000
-	-	-	-	-	50,102	-	50,102
-	2,042	-	-	70,287	8,994,927	-	8,994,927
-	-	-	-	-	743,981	-	743,981
-	-	-	-	-	484,937	-	484,937
-	-	-	-	-	-	59,105	59,105
23,389	195,914	115,119	240,198	364,826	5,483,829	-	5,483,829
23,389	195,914	115,119	240,198	364,826	6,712,747	59,105	6,771,852
23,389	197,956	115,119	240,198	435,113	15,707,674	59,105	15,766,779

City of Council Bluffs

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

Year ended June 30, 2005

	Special Revenue			
	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program
Revenues:				
Property tax	\$ -	400,895	-	-
Other city tax	-	36,571	-	-
Tax increment financing	-	-	-	-
Licenses and permits	12,110	-	-	-
Use of money and property	12,303	-	-	-
Intergovernmental	4,840,812	-	1,161,704	179,700
Charges for service	-	-	7,065	-
Special assessments	352	-	-	-
Miscellaneous	42,023	-	290,442	64,300
Total revenues	<u>4,907,600</u>	<u>437,466</u>	<u>1,459,211</u>	<u>244,000</u>
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	5,708,784	-	-	-
Culture and recreation	-	-	-	-
Health and social services	-	-	-	-
Community and economic development	-	-	1,573,371	552,200
General government	-	-	-	-
Total expenditures	<u>5,708,784</u>	<u>-</u>	<u>1,573,371</u>	<u>552,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(801,184)</u>	<u>437,466</u>	<u>(114,160)</u>	<u>(308,200)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	618,353	-	74,809	-
Operating transfers out	-	(437,561)	(265,535)	-
Total other financing sources (uses)	<u>618,353</u>	<u>(437,561)</u>	<u>(190,726)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(182,831)</u>	<u>(95)</u>	<u>(304,886)</u>	<u>(308,200)</u>
Fund balances beginning of year	<u>2,150,090</u>	<u>6,366</u>	<u>861,250</u>	<u>(13,700)</u>
Fund balances end of year	<u>\$ 1,967,259</u>	<u>6,271</u>	<u>556,364</u>	<u>(321,900)</u>

Funds					
CDBG Installment Loan Escrow	Forfeited Assets	City Local Option Sales Tax	Employees' Retire- ment	Workers' Compen- sation	Unemploy- ment Compen- sation
-	-	-	872,294	603,417	-
-	-	2,909,653	105,178	49,667	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	171,767	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
77,339	18,074	442,680	108	-	-
77,339	18,074	3,524,100	977,580	653,084	-
-	31,425	-	-	-	-
-	-	2,135,982	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79,494	-	-	-	-	-
-	-	-	-	-	-
79,494	31,425	2,135,982	-	-	-
(2,155)	(13,351)	1,388,118	977,580	653,084	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(974,428)	(653,823)	(895)
-	-	-	(974,428)	(653,823)	(895)
(2,155)	(13,351)	1,388,118	3,152	(739)	(895)
3,823	27,922	1,985,056	203,453	10,369	19,833
1,668	14,571	3,373,174	206,605	9,630	18,938

City of Council Bluffs

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

Year ended June 30, 2005

	Special Revenue			
	Fire and Police Retire- ment	Drainage Districts		
		Mosquito Creek #22	Sieck #32	West Lewis #35
Revenues:				
Property tax	2,477,819	-	-	-
Other city tax	210,356	-	-	-
Tax increment financing	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	33,031	24,147	44,989
Total revenues	2,688,175	33,031	24,147	44,989
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	-	83,346	18,439	15,655
Culture and recreation	-	-	-	-
Health and social services	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total expenditures	-	83,346	18,439	15,655
Excess (deficiency) of revenues over (under) expenditures	2,688,175	(50,315)	5,708	29,334
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(2,735,684)	-	-	-
Total other financing sources (uses)	(2,735,684)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(47,509)	(50,315)	5,708	29,334
Fund balances beginning of year	408,809	154,429	83,630	136,142
Fund balances end of year	361,300	104,114	89,338	165,476

Funds							
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	Featherstone TIF	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	39,197	-	336,018	172,276	236,086	28,189	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	39,197	-	336,018	172,276	236,086	28,189	-
-	-	-	-	-	-	-	-
17,835	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	39,574	1,638	86,265	85,929	232,781	28,189	-
-	-	-	-	-	-	-	-
17,835	39,574	1,638	86,265	85,929	232,781	28,189	-
(17,835)	(377)	(1,638)	249,753	86,347	3,305	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(3,490)	(132,383)	-	-	-	-
-	-	(3,490)	(132,383)	-	-	-	-
(17,835)	(377)	(5,128)	117,370	86,347	3,305	-	-
28,305	1,691	120,990	152,675	763	6,522	779	-
10,470	1,314	115,862	270,045	87,110	9,827	779	-

City of Council Bluffs

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

Year ended June 30, 2005

	Special Revenue		
	MACC 01-1 TIF	U.S. Savings Bond	Library Building
Revenues:			
Property tax	-	-	-
Other city tax	-	-	-
Tax increment financing	90,990	-	-
Licenses and permits	-	-	-
Use of money and property	-	-	290
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	4,083	10,912	714
Total revenues	<u>95,073</u>	<u>10,912</u>	<u>1,004</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Health and social services	-	-	-
Community and economic development	20,475	-	-
General government	36,352	10,600	-
Total expenditures	<u>56,827</u>	<u>10,600</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,246</u>	<u>312</u>	<u>1,004</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(1,313,647)	-	-
Total other financing sources (uses)	<u>(1,313,647)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,275,401)</u>	<u>312</u>	<u>1,004</u>
Fund balances beginning of year	-	175	22,385
Fund balances end of year	<u>(1,275,401)</u>	<u>487</u>	<u>23,389</u>

See accompanying independent auditor's report.

Funds					Permanent	
Library	Dodge	4th Street		Total	Fund	
Memorials	Soldiers'	Parking	Miscel-	Special	Fairview	
and Gifts	Investment	Garage	aneous	Revenue	Cemetery	
		Investment			Perpetual	Total
					Care	
-	-	-	-	4,354,425	-	4,354,425
-	-	-	-	3,311,425	-	3,311,425
-	-	-	-	902,756	-	902,756
-	-	-	-	12,110	-	12,110
2,470	1,500	10,578	-	27,141	-	27,141
-	-	-	666,401	7,020,384	-	7,020,384
-	-	-	157,734	164,799	-	164,799
-	-	-	-	352	-	352
133,073	-	-	1,770,646	2,956,561	-	2,956,561
135,543	1,500	10,578	2,594,781	18,749,953	-	18,749,953
-	-	-	120,946	152,371	-	152,371
-	-	-	252,746	8,232,787	-	8,232,787
77,331	-	-	147,927	225,258	-	225,258
-	-	-	11,214	11,214	-	11,214
-	-	-	1,877,644	4,577,560	-	4,577,560
-	-	-	24,594	71,546	-	71,546
77,331	-	-	2,435,071	13,270,736	-	13,270,736
58,212	1,500	10,578	159,710	5,479,217	-	5,479,217
-	-	-	26,826	26,826	-	26,826
-	-	-	7,151	700,313	-	700,313
-	-	-	(9,866)	(6,527,312)	-	(6,527,312)
-	-	-	24,111	(5,800,173)	-	(5,800,173)
58,212	1,500	10,578	183,821	(320,956)	-	(320,956)
137,702	113,619	229,620	181,005	7,033,703	59,105	7,092,808
195,914	115,119	240,198	364,826	6,712,747	59,105	6,771,852

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

June 30, 2005

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Assets			
Current assets:			
Cash and pooled investments	\$ 368,215	-	40,767
Accounts receivable	-	-	-
Prepaid insurance	-	-	-
Total current assets	368,215	-	40,767
Noncurrent assets:			
Property and equipment, net of accumulated depreciation	-	1,819	-
Total assets	368,215	1,819	40,767
Liabilities			
Current liabilities:			
Accounts payable	-	-	-
Net Assets			
Invested in capital assets	-	1,819	-
Unrestricted	368,215	-	40,767
Total net assets	\$ 368,215	1,819	40,767

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
1,189,147	416,902	602,003	236,333	2,853,367
307,080	-	-	-	307,080
-	78,142	-	-	78,142
1,496,227	495,044	602,003	236,333	3,238,589
-	-	-	-	1,819
1,496,227	495,044	602,003	236,333	3,240,408
808,022	9,252	7,011	3,793	828,078
-	-	-	-	1,819
688,205	485,792	594,992	232,540	2,410,511
688,205	485,792	594,992	232,540	2,412,330

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

Year ended June 30, 2005

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Operating revenues:			
Charges for service:			
Reimbursements from operating funds	\$ 78,196	54,576	200,000
Reimbursements from retired employees	-	-	-
Reimbursements from current employees	-	-	-
	<u>78,196</u>	<u>54,576</u>	<u>200,000</u>
Miscellaneous	-	1,043	-
Total operating revenues	<u>78,196</u>	<u>55,619</u>	<u>200,000</u>
Operating expenses:			
Non-program	-	70,640	293,999
Operating income (loss)	78,196	(15,021)	(93,999)
Nonoperating revenues:			
Interest income	-	-	-
Operating transfers in	-	36,051	-
Change in net assets	78,196	21,030	(93,999)
Net assets beginning of year	<u>290,019</u>	<u>(19,211)</u>	<u>134,766</u>
Net assets end of year	<u>\$ 368,215</u>	<u>1,819</u>	<u>40,767</u>

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
6,279,246	191,000	550,000	100,000	7,453,018
339,567	-	-	-	339,567
279,182	-	-	-	279,182
6,897,995	191,000	550,000	100,000	8,071,767
286,702	2,882	-	-	290,627
7,184,697	193,882	550,000	100,000	8,362,394
6,409,499	470,641	208,314	59,561	7,512,654
775,198	(276,759)	341,686	40,439	849,740
32,086	7,492	-	-	39,578
-	-	-	-	36,051
807,284	(269,267)	341,686	40,439	925,369
(119,079)	755,059	253,306	192,101	1,486,961
688,205	485,792	594,992	232,540	2,412,330

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

Year ended June 30, 2005

	Payroll Sinking	Graphic Art Revolving	Public Works Equipment Depreciation Revolving
Cash flows from operating activities:			
Cash received from customers and users	\$ 78,196	54,576	200,000
Cash received from other revenues	-	1,043	-
Cash paid for personal services	-	(34,598)	-
Cash paid to suppliers	-	(57,072)	(293,999)
Net cash provided by (used for) operating activities	78,196	(36,051)	(93,999)
Cash flows from noncapital financing activities:			
Transfer from other funds	-	36,051	-
Cash flows from investing activities:			
Interest on investments	-	-	-
Net increase (decrease) in cash and cash equivalents	78,196	-	(93,999)
Cash and cash equivalents beginning of year	290,019	-	134,766
Cash and cash equivalents end of year	\$ 368,215	-	40,767
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 78,196	(15,021)	(93,999)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	-	(864)	-
(Increase) in accounts receivable	-	-	-
(Increase) in prepaid insurance	-	-	-
Decrease in due from other governments	-	-	-
Decrease in inventories	-	13,849	-
Increase (decrease) in accounts payable	-	(97)	-
(Decrease) in salaries and benefits payable	-	(690)	-
(Decrease) in due to other governments	-	(29,658)	-
(Decrease) in compensated absences	-	(3,570)	-
Total adjustments	-	(21,030)	-
Net cash provided by (used for) operating activities	\$ 78,196	(36,051)	(93,999)

See accompanying independent auditor's report.

Self Insurance	Workers' Compensation Self Insurance	411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
6,788,938	191,000	550,000	100,000	7,962,710
286,702	78,515	-	-	366,260
-	-	-	-	(34,598)
(6,445,446)	(539,531)	(201,303)	(55,768)	(7,593,119)
630,194	(270,016)	348,697	44,232	701,253
-	-	-	-	36,051
32,086	7,492	-	-	39,578
662,280	(262,524)	348,697	44,232	776,882
526,867	679,426	253,306	192,101	2,076,485
1,189,147	416,902	602,003	236,333	2,853,367
775,198	(276,759)	341,686	40,439	849,740
-	-	-	-	(864)
(109,057)	-	-	-	(109,057)
-	(78,142)	-	-	(78,142)
-	75,633	-	-	75,633
-	-	-	-	13,849
(35,947)	9,252	7,011	3,793	(15,988)
-	-	-	-	(690)
-	-	-	-	(29,658)
-	-	-	-	(3,570)
(145,004)	6,743	7,011	3,793	(148,487)
630,194	(270,016)	348,697	44,232	701,253

Schedule 6

City of Council Bluffs

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

June 30, 2005

	Firemen's Pension	411 Benefits	Total
Assets			
Cash and pooled investments	\$ 813	173,421	174,234
Property tax:			
Delinquent	265	3,306	3,571
Succeeding year	11,000	137,000	148,000
Total assets	12,078	313,727	325,805
Liabilities			
Accounts payable	-	13,429	13,429
Deferred revenue:			
Succeeding year property tax	11,000	137,000	148,000
Other	112	1,372	1,484
Total liabilities	11,112	151,801	162,913
Net assets held in trust for employee benefits	\$ 966	161,926	162,892

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, 2005

	Firemen's Pension	411 Benefits	Total
Additions:			
Property tax	\$ 10,831	136,695	147,526
Other city tax:			
Utility tax replacement excise tax	1,198	11,686	12,884
	12,029	148,381	160,410
Miscellaneous	-	2,098	2,098
Total additions	12,029	150,479	162,508
Deductions:			
Benefits and refunds paid to plan members	11,028	89,154	100,182
Administrative expenses	-	6,518	6,518
Total deductions	11,028	95,672	106,700
Change in net assets held in trust for employee benefits	1,001	54,807	55,808
Net assets held in trust for employee benefits beginning of year	(35)	107,119	107,084
Net assets held in trust for employee benefits end of year	\$ 966	161,926	162,892

See accompanying independent auditor's report.

Schedule 8

City of Council Bluffs

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2005

	Section 8	Municipal Housing Agency	Total
Assets			
Due from other governments	\$ 31,849	57,068	88,917
Liabilities			
Liabilities:			
Due to other governments	\$ 21,849	47,068	68,917
Salaries and benefits payable	6,220	12,230	18,450
Trusts payable	3,780	(2,230)	1,550
Total liabilities	\$ 31,849	57,068	88,917

See accompanying independent auditor's report.

City of Council Bluffs

Combining Statement of Changes in Trusts Payable
Agency Funds

Year ended June 30, 2005

	Section 8	Municipal Housing Agency	Total
Additions:			
Trusts received	\$ 212,790	363,160	575,950
Deductions:			
Agency remittances:			
Trusts paid out	211,986	363,746	575,732
Change in net assets	804	(586)	218
Balances beginning of year	2,976	(1,644)	1,332
Balances end of year	\$ 3,780	(2,230)	1,550

See accompanying independent auditor's report.

City of Council Bluffs

City of Council Bluffs

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

For the Last Three Years

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

See accompanying independent auditor's report.

Schedule 11

City of Council Bluffs
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

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	\$ 1,042,380
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-19-0005	122,972
			<u>1,165,352</u>
U.S. Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0424	35,804
Community Prosecution and Project Safe Neighborhoods	16.609	03-SD06	36,057
Public Safety Partnership and Community Policing Grants	16.710	2004CKWX0076	<u>748,266</u>
Total direct			<u>1,985,479</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	04-ES-007	<u>112,105</u>
City of Omaha, Nebraska:			
Home Investment Partnerships Program	14.239	FY2001	<u>54,700</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	03A-0206	7,165
Byrne Formula Grant Program	16.579	04A-0205	96,311
			<u>103,476</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1642(638)--70-78	1,496,615
Highway Planning and Construction	20.205	STP-E-1642(632)--8V-78	16,950
Highway Planning and Construction	20.205	STP-U-1642(22)--70-78	2,190,691
			<u>3,704,256</u>
Metro Area Transit of Omaha, Nebraska:			
Federal Transit - Formula Grants	20.507	FY03	<u>197,955</u>

City of Council Bluffs
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-163	9,217
State and Community Highway Safety	20.600	PAP 05-163	3,693
State and Community Highway Safety	20.600	PAP 04-04	6,161
State and Community Highway Safety	20.600	PAP 05-04	12,253
			31,324
U.S. Department of Health and Human Services:			
Iowa Department of Health:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5884AP07	16,888
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5883AP07	32,318
			49,206
Immunization Grants	93.268	5885I420	29,700
Immunization Grants	93.268	5884I420	6,786
			36,486
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2006-ELC08	280
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2005-ELC08	1,000
			1,280
Preventive Health and Health Services Block Grant	93.991	MOU-2004-TB20	925
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2005-TB04	1,400
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management Division:			
Public Assistance Grants	97.036	FY04 HSGP	218,610
Total indirect			4,511,723
Total			\$ 6,497,202

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

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Council Bluffs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Council Bluffs' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item II-A-05 in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Council Bluffs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2005

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

City of Council Bluffs



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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Council Bluffs, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Council Bluffs' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Council Bluffs' management. Our responsibility is to express an opinion on City of Council Bluffs' compliance based on our audit.

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

In our opinion, the City of Council Bluffs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

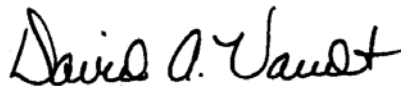
Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect City of Council Bluffs' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-05 is a material weakness.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2005

City of Council Bluffs
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over a major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
 - CFDA Number 16.710 – Public Safety Partnership and Community Policing Grants
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Council Bluffs did not qualify as a low-risk auditee.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-05 Capital Assets and Construction in Progress – The City hires a company to compile its listing of capital assets which is updated each year for additions and deletions. However, the information from the company was not received timely enough for the City to review and reconcile the information to its records. As a result, the City could not identify and/or request any changes to the listing of capital assets, if needed. Also, the City does not prepare the information needed to report construction in progress on a GAAP basis for report presentation.

Recommendation – A complete record of capital assets should be obtained, reviewed and reconciled to the City’s records on a timely basis. Also, the City should prepare construction in progress information on a GAAP basis and identify this activity by fund and by governmental or business type activities.

Response – The City is working on incorporating procedures to improve reporting of construction in progress, as well as changing the system utilized in asset tracking.

Conclusion – Response accepted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

CFDA Number: 14.218 – Community Development Block Grants/Entitlement Grants
Agency Number: B-04-MC-19-0005, B-05-MC-19-0005
Federal Award Year: 2004, 2005
U.S. Department of Housing and Urban Development

III-A-05 Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant.

The City has not performed on-site monitoring visits of its subrecipients since 2003. Also, the City does not document its review of subrecipient audit reports.

Recommendation – The City should perform on-site monitoring visits of its subrecipients on a regular basis and document its review of subrecipient audit reports.

Response and Corrective Action Planned – It is clear the City should perform subrecipient monitoring of our activities on a more regular basis. In fact, prior to the state audit, an evaluation of the City of Council Bluffs' CDBG Program was conducted January 24 through January 27, 2005 by the U.S. Department of Housing and Urban Development (HUD). As a result of HUD's review, there was an observation made regarding the monitoring of subrecipient activities. HUD suggested that City staff consider remote monitoring, by requiring subrecipients to submit income information on every fifth client file.

Currently, staff receives monthly statistical reports from its subrecipients and participates frequently with subrecipients in many task forces and community meetings. The Community Development Department staff determined one of its 2005 goals should be to conduct a minimum of six monitoring visits of subrecipients. However, due to a shortage in staff in 2005, no monitoring visits were performed.

In 2006, staff will be implementing HUD's suggestion to perform remote monitoring on all of its subrecipients. Also, there are fewer subrecipients to be monitored in 2006. Because of HUD's suggestion to perform remote monitoring, the reduction in the number of subrecipients, and the department back at 100% staff, monitoring of subrecipients will be completed.

We will also put a notation/memo in the subrecipient's file concerning our review and acceptance of their audit report.

Conclusion – Response accepted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the public works, health and social services, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

IV-C-05 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-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-F-05 Bond Coverage – Surety bond coverage existed for the City Treasurer and the parking meter attendant, but coverage did not exist for all other employees.

Recommendation – The amount of surety bond coverage should be reviewed for all City officials and employees annually to insure coverage is adequate for current operations.

Response – The City has taken steps to add insurance coverage for all City officials and employees.

Conclusion – Response accepted.

IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-05 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, 2005

IV-I-05 Telephone Lease Purchase – The City entered into a lease purchase agreement for a telephone system in January 2005 but did not publish a notice or hold a public hearing prior to entering into the lease as required by Chapter 364.4(4)(e)(1) of the Code of Iowa.

Recommendation – The City should comply with the procedures established in Chapter 364.4 of the Code of Iowa.

Response – The City was not aware this was a capital lease and not an operational lease. The City will more closely monitor its capital lease purchases to ensure they comply with the Code of Iowa.

Conclusion – Response accepted.

IV-J-05 Corrective Transfer – The City charged a significant portion of the FY 04 audit bill to the Special Revenue, MACC 01-1 TIF Fund. The cost was allocated based on the dollar amount of FY 04’s additions to capital assets.

Recommendation – The City should revise the methodology used to allocate the audit costs each year. A corrective transfer should also be made for the FY 04 audit costs to more fairly allocate the expense among funds.

Response – The City will make a corrective transfer, and has established an agreed upon consistent method that more fairly allocates the expenditures relating to annual expenditures of qualified funds.

Conclusion – Response accepted.

IV-K-05 Financial Condition – At June 30, 2005, the following funds had deficit balances (on a cash basis):

Fund	June 30, 2005 Balance
Special Revenue:	
CDBG	\$ (293,878)
HOME Program	(299,400)
Agency:	
Section 8	(21,849)
Municipal Housing	(47,068)

In addition, the Special Revenue, HOME Program and MACC 01-1 TIF Funds had deficit fund balances (on a modified accrual basis) of \$321,900 and \$1,275,401, respectively, at June 30, 2005.

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

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

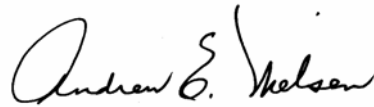
Conclusion – Response accepted.

City of Council Bluffs

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Paul F. Kearney, CGFM, Senior Auditor
Brad T. Holtan, Staff Auditor
Nicole B. Tenges, Staff Auditor
Tiffany A. Gossweiler, Assistant Auditor
Michael J. Hackett, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State