

ALTA MUNICIPAL UTILITIES
(A Component Unit of the City of Alta, Iowa)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

ALTA RAPIDS MUNICIPAL UTILITIES

TABLE OF CONTENTS

		Page
OFFICIALS		1
INDEPENDENT AUDITORS' REPORT		2
FINANCIAL STATEMENTS		
	Exhibit	
Proprietary Funds Financial Statements -		
Statement of Net Assets	A	4
Statement of Revenues, Expenses and Changes in Net Assets	B	6
Statement of Cash Flows	C	7
Notes to Financial Statements		9
REQUIRED SUPPLEMENTARY INFORMATION		
	Schedule	
Schedule of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budget Basis)	1	18
Notes to Required Supplementary Information - Budgetary Reporting		19
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Expenses	2	20
OTHER REPORTS		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		22
Schedule of Findings and Questioned Costs		24

ALTA MUNICIPAL UTILITIES

OFFICIALS

Name	Position	Term Expires
Jeff James	Trustee	June 2010
Ron Gullickson	Trustee	June 2011
Dennis Weber	Chairman	June 2012
C. Alan Wadsley	Trustee	June 2014
Kevin Walsh	Trustee	June 2015
Ronald Chapman	Superintendent	Indefinite
Tom Huseman	City Clerk / City Treasurer	Indefinite

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Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Alta Municipal Utilities
Alta, Iowa

We have audited the accompanying financial statement of the business type activities of each major fund of Alta Municipal Utilities (the Utilities), a component unit of the City of Alta, Iowa, as of and for the year ended December 31, 2009, which collectively comprise the Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the financial statements of Alta Municipal Utilities are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Alta, Iowa, that is attributable to the transactions of the Utilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of each major fund of Alta Municipal Utilities, a component unit of the City of Alta, Iowa, as of December 31, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010, on our consideration of Alta Municipal Utilities' 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.

Budgetary comparison information on schedule 1, page 18, is not a required part of the basic financial statements, but is supplementary information required by the Government 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise Alta Municipal Utilities' basic financial statements. Other supplementary information included in Schedule 2, page 20, 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.

Alta Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By



Certified Public Accountant

February 25, 2010

FINANCIAL STATEMENTS

ALTA MUNICIPAL UTILITIES

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

ASSETS	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
CURRENT ASSETS:			
Cash and Invested Cash	\$ 844,633	\$ (176,807)	\$ 667,826
Accounts Receivable, Net	158,250	27,692	185,942
Inventory	82,521	4,257	86,778
Accrued Interest Receivable	901	0	901
Prepaid Expenses	17,219	1,359	18,578
Total Current Assets	1,103,524	(143,499)	960,025
RESTRICTED ASSETS:			
Cash and Invested Cash Held for -			
Bond Sinking	24,877	-	24,877
Bond Reserve Fund	306,625	-	306,625
Bond Improvement Fund	200,000	-	200,000
NIMECA - Emissions Account	5,436	-	5,436
CTS - Capital Improvement Fund	79,493	-	79,493
Total Restricted Assets	616,431	-	616,431
OTHER ASSETS:			
Non-Utility Property - Net of			
Accumulated Depreciation	14,642	-	14,642
Land Held for Economic Development	14,196	-	14,196
Deferred Patronage Refund Receivable	20,440	-	20,440
Plant Acquisition Costs - Net of Amortization	6,188	-	6,188
Bond Issuance Costs - Net of Amortization	25,071	-	25,071
Total Other Assets	80,537	-	80,537
CAPITAL ASSETS:			
Plant, Facilities and Equipment, at Cost	4,344,872	2,176,846	6,521,718
Accumulated Depreciation	(1,783,048)	(1,179,906)	(2,962,954)
Land	70,913	-	70,913
Net Capital Assets	2,632,737	996,940	3,629,677
Total Assets	\$ 4,433,229	\$ 853,441	\$ 5,286,670

(Continued)

ALTA MUNICIPAL UTILITIES

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

LIABILITIES	Business Type Activities - Enterprise Funds		
	Electric Utility	Water Utility	Total
CURRENT LIABILITIES:			
Accounts Payable - Trade	\$ 49,709	\$ 10,405	\$ 60,114
Other Payables	61,761	117	61,878
Payroll, Sales and Use Taxes Payable	17,902	4,822	22,724
Customer Deposits	39,135	-	39,135
Total Current Liabilities	168,507	15,344	183,851
LIABILITIES FROM RESTRICTED ASSETS:			
Current Maturities of Revenue Bonds	190,000	-	190,000
NON-CURRENT LIABILITIES:			
Electric Revenue Bonds, Net of Current Maturities Above	2,329,432	-	2,329,432
Total Liabilities	2,687,939	15,344	2,703,283
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	114,258	996,940	1,111,198
Restricted	616,431	-	616,431
Unrestricted	1,014,601	(158,843)	855,758
Total Net Assets	1,745,290	838,097	2,583,387
Total Liabilities and Net Assets	\$ 4,433,229	\$ 853,441	\$ 5,286,670

See Notes to Financial Statements

ALTA MUNICIPAL UTILITIES

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
OPERATING REVENUES:			
Sales to Customers	\$ 1,214,232	\$ 314,811	\$ 1,529,043
Penalties and Service Fees	17,965	1,021	18,986
Tax Revenues	-	197	197
Joint Use Revenue	1,300	-	1,300
Miscellaneous	17,998	-	17,998
Total Operating Revenues	<u>1,251,495</u>	<u>316,029</u>	<u>1,567,524</u>
OPERATING EXPENSES:			
Purchased Power	312,087	-	312,087
Local Plant Operations	46,915	92,624	139,539
Generating Expenses - Walter Scott 4	131,967	-	131,967
Distribution Maintenance Expenses	86,722	86,779	173,501
Administration General Expenses	143,817	81,569	225,386
Economic Development, Energy Conservation	17,178	25	17,203
Depreciation	117,747	91,070	208,817
Total Operating Expenses	<u>856,433</u>	<u>352,067</u>	<u>1,208,500</u>
Operating Income (Loss)	395,062	(36,038)	359,024
NONOPERATING REVENUES (EXPENSES):			
Revenues from Merchandising	8,686	-	8,686
Cost of Merchandising	<u>(20,164)</u>	<u>-</u>	<u>(20,164)</u>
Loss from Merchandising	(11,478)	-	(11,478)
Interest Income	25,572	-	25,572
Interest Expense	(115,054)	-	(115,054)
Amortization of Bond Issuance Costs	(12,169)	-	(12,169)
Gain (Loss) on Asset Disposal	-	(13,954)	(13,954)
Net Nonoperating Revenues (Expenses)	<u>(113,129)</u>	<u>(13,954)</u>	<u>(127,083)</u>
Income (Loss) before Transfers	281,933	(49,992)	231,941
TRANSFERS IN (OUT):			
Contribution to Communications Utility (Note3)	(595,864)	-	(595,864)
Payments for Communications Utility	(11,072)	-	(11,072)
Payment to City	<u>(42,000)</u>	<u>-</u>	<u>(42,000)</u>
Total Transfers In (Out)	<u>(648,936)</u>	<u>-</u>	<u>(648,936)</u>
Change in Net Assets	(367,003)	(49,992)	(416,995)
Total Net Assets - Beginning of Year	2,830,349	895,980	3,726,329
Prior Period Adjustments (Note 12)	(718,056)	(7,891)	(725,947)
Total Net Assets - End of Year	<u>\$ 1,745,290</u>	<u>\$ 838,097</u>	<u>\$ 2,583,387</u>

See Notes to Financial Statements

ALTA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers and Users	\$ 1,240,802	\$ 314,698	\$ 1,555,500
Cash Paid to Suppliers for Goods and Services	(710,875)	(164,876)	(875,751)
Cash Paid to Employees Wages and Benefits	(135,150)	(102,317)	(237,467)
Cash Paid for Nonoperating Expenses	(11,478)	-	(11,478)
Net Cash Flow from Operating Activities	383,299	47,505	430,804
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments to the City of Alta	(42,000)	-	(42,000)
Payments for Communications Utility	(11,072)	-	(11,072)
Capital Construction in Progress Expenditures	(122,154)	(54,039)	(176,193)
Principal Payments on Revenue Debt	(185,000)	-	(185,000)
Interest Paid on Debt	(115,054)	-	(115,054)
Net Cash Flow from Capital and Related Financing Activities	(475,280)	(54,039)	(529,319)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Investments	25,572	-	25,572
Investments Matured or Sold	635,000	-	635,000
Release of Restricted Cash	130,164	-	130,164
Increase of Restricted Cash	(223,220)	-	(223,220)
Net Cash Flow from Investing Activities	567,516	-	567,516
Net Increase in Cash and Cash Equivalents	475,535	(6,534)	469,001
Cash and Cash Equivalents - Beginning of Year	377,195	(170,273)	206,922
Cash and Cash Equivalents - End of Year	<u>\$ 852,730</u>	<u>\$ (176,807)</u>	<u>\$ 675,923</u>
NONCASH CAPITAL ACTIVITY:			
Capital Assets transferred to Alta Municipal Broadband Communications Utility	<u>\$ 595,863</u>	<u>\$ -</u>	<u>\$ 595,863</u>

(Continued)

ALTA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business Type Activities - Enterprise Funds</u>		
	Electric Utility Fund	Water Utility Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss) (Exhibit B)	\$ 395,062	\$ (36,038)	\$ 359,024
Adjustments to Reconcile Operating Income			
(Loss) to Net Cash From Operating Activities -			
Depreciation - Capital Assets	117,747	91,070	208,817
Other Revenues (Expenses)	(135,778)	-	(135,778)
Gain (Loss) on Disposal of Assets	-	(13,954)	(13,954)
(Increase) Decrease in Operating Assets -			
Accounts Receivable	(10,693)	(1,331)	(12,024)
Inventories	10,315	217	10,532
Other Current and Prepaid Assets	1,718	320	2,038
Increase (Decrease) in Operating Liabilities -			
Accounts and Other Payables	5,797	7,392	13,189
Customer Deposits	1,204	-	1,204
Payroll, Sales and Use Taxes Payable	(2,073)	(171)	(2,244)
Net Cash Flows from Operating			
Activities	<u>\$ 383,299</u>	<u>\$ 47,505</u>	<u>\$ 430,804</u>

See Notes to Financial Statements

ALTA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities -

The City of Alta, Iowa, (the City) owns an electric light and power system, water treatment system, telephone system and coaxial cable system. The electric and water systems are operated independently as Alta Municipal Utilities (AMU or Utilities) and the telephone and coaxial cable systems are operated independently as Alta Municipal Broadband Communication Utility (the Communication Utility). Alta Municipal Utilities is the subject of these financial statements and is governed by a five-member Board of Trustees, appointed by the Mayor with the approval of the City Council. The Trustees exercise all oversight responsibilities.

The Utilities provides electric energy and potable water to a diversified base of residential and commercial customers and other governmental units, primarily within the boundaries of the City. As an independent public utility, state statutes vest authority in the Trustees to set usage rates, prepare financial budgets and maintain books of account for each utility system they operate. The Utilities is generally not liable for federal and state income taxes or ad valorem taxes on property, but may make payments in-lieu-of taxes to local government.

B. Shared Utility Plants -

Common Transmission System - North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, including AMU, entered into an agreement with Corn Belt Power Cooperative to obtain for the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmission system. AMU has recorded its share of these costs as capital assets in the Electric Utility Fund. The net book value at December 31, 2009, was \$427,305.

Walter Scott 4 Generating Station - AMU is one of fourteen owners of Walter Scott 4 Generating Station which is managed by MidAmerican Energy under terms of the basic generating agreement between MidAmerican Energy and the owners. AMU, as a tenant-in-common, owns 0.13 percent of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. AMU's cost of acquiring its share of this generating station was recorded as capital assets in the Electric Utility Fund. The net book value at December 31, 2009, was \$1,676,889.

The operators of both the Common Transmission System and Walter Scott 4 Generating Station have established accounts to which AMU is required to pay its pro rata share, net of revenues earned, of operating and maintenance costs. Disbursements from these accounts allocated to AMU are included in the financial statements of AMU.

C. Basis of Presentation -

The accounts of the Utilities are organized on the basis of enterprise funds, each of which is considered to be a separate accounting entity and each displayed in a separate column in the financial statements. The activities of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenses. The Utilities reports major enterprise proprietary funds of: Electric Utility Fund and Water Utility Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Basis of Presentation** - (Continued)

Enterprise funds are used to (a) account for the amount by which cost or expenses of providing goods or services to the public are offset by revenue from the sale of such goods or services, or (b) where the governing body has decided determination of revenues earned, expenses incurred, and/or net income is appropriate public policy, accountability, or other purpose.

These financial statements are presented in conformity with U.S generally accepted accounting principles (GAAP) applicable for enterprise funds of governmental entities. In reporting financial activities, the Utilities applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, including statements and interpretations of the FASB issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

D. **Measurement Focus and Basis of Accounting** -

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Utilities' proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the related obligation is incurred, regardless of the timing of related cash flows. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The statement of net assets and statement of revenue, expenses and changes in net assets display information about the reporting government business-type entity as a whole and by individual funds. They are presented using the full accrual economic resource basis. For the most part, the effect of interfund activity has been removed from these statements. The statement of net assets presents the Utilities' assets and liabilities with the remaining difference reported as net assets in three components:

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

Restricted net assets results 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 components. Unrestricted net assets may have constraints on resources imposed by management which can be removed or modified.

The statement of revenue, expenses and changes in net assets distinguish operating revenues and expenses from non-operating items to display the degree to which operating expenses of a given function are offset by operating revenue. Operating revenues and expenses generally result from providing, producing and delivering goods or services in connection with an enterprise's principal ongoing operations. Operating revenue is primarily charges to customers for sales or services. Operating expenses include the cost of sales, administrative expenses and depreciation on capital assets. Revenue and expenses not meeting this definition are reported as non-operating items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Revenue Recognition -

For most services, meters are read and bills are rendered on a cycle basis near the end of each month. Revenues earned are recorded only through the date meters are read each month. As such, revenues earned from utility usage delivered after meters are read to the end of the month are minimal and not estimated or recorded.

G. Cash and Cash Equivalents -

The enterprise funds of the Utilities combine their cash and invested cash (including restricted assets) into shared bank accounts at one financial institution. For purposes of cash flows, cash and cash equivalents (nonnegotiable certificates of deposits) are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

H. Accounts Receivable and Allowances -

An estimate is made for allowances for doubtful collections based on an analysis of the aging of accounts receivable and on historical write-offs net of recoveries. Additional specific amounts may be included based on credit risk as deemed appropriate by management.

I. Inventories -

Material, supplies and fuel inventories are stated at cost, which does not exceed market. Cost is generally determined on a weighted-average basis. Electric Utility inventories include fuel for the local plant and its joint ownership share of the coal pile at the Walter Scott 4 Generating Station.

J. Capital Assets -

Capital assets, which include utility plants, infrastructures, facilities and equipment, are valued at historical cost. The cost of system renewals and betterments includes engineering, labor, construction period interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

No interest costs were capitalized for the year ended December 31, 2009, as no qualifying assets were constructed or acquired.

The Utilities does not have a written policy for capitalizing assets. Management determines capitalization or expensing on an individual basis.

During 2009, the Alta Municipal Utilities transferred its ownership of the underground fiber and coaxial cable communication system carried on the electric utility records to Alta Municipal Broadband Communications Utility (a related entity). The net depreciated cost of the system was \$595,862 at the time of the capital contribution transfer. The electric utility has free use of this system for such time as bonds or other indebtedness regarding or arising out of the construction and purchase of the system remain outstanding, or forty years, whichever comes first. Related debt was not transferred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for depreciation of generating, transmission, and distribution plant is computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provision for depreciation of general plant is computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

No depreciation is taken on construction in progress. Estimated useful lives by category of capital assets being depreciated are as follows:

Plant and Structures	20-50 Years
Transmission System and Improvements	25-35 Years
Distribution System and Improvements	25-35 Years
Sub-Stations and Improvements	20-35 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years
Vehicles	5 Years

K. Restricted Net Assets -

Amounts shown as restricted net assets and the purpose of the restriction are as follows:

Restricted for -	
CTS Improvement account	\$ 79,493
NIMECA – Emissions account	5,436
Bond Sinking Fund	24,877
Bond Reserve Fund	306,625
Bond Improvement Fund	200,000
	<u>\$ 616,431</u>

L. Budgets and Budgetary Accounting -

The budgetary comparison and related disclosures are reported as required supplementary information. The budget is prepared on the same basis as these financial statements. During the year ended December 31, 2009, expenses did not exceed the amount budgeted, excluding the capital transfer of the underground fiber and coaxial cable communication system discussed above.

NOTE 2 - CASH AND INVESTED CASH AND POOLED INVESTMENTS

Alta Municipal Broadband Communications Utility and Alta Municipal Utilities pool their deposits and investments and maintain records as to each entities share of the total balance. All deposits at December 31, 2009, were covered by federal depository insurance, or by a multiple financial institution collateral pool 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.

NOTE 2 - CASH AND INVESTED CASH AND POOLED INVESTMENTS (Continued)

Both entities are 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 or savings accounts at federally insured depository institutions approved by the Trustees and Treasurer of the State of Iowa; 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 drainage districts.

AMU had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3, as amended by Statement 40.

Monies held for special purposes are limited to the use for which restricted and cannot be used for the general operations of the Utilities. The funds held for debt redemption are required by covenants of debt resolutions and will be released to unrestricted funds upon pay-off of the related debt.

Interest rate risk - AMU's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of AMU.

At December 31, 2009, the AMU had investments in the Iowa Public Agency Investment Trust (IPAIT) held in the NIMECA CTS Improvement Fund, which are valued at an amortized cost of \$77,493. Deposits with IPAIT are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331, 555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

NOTE 3 - CTS - CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system.

NOTE 4 - CAPITAL ASSETS

Details of changes in capital asset costs by category and depreciation reported for the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
Land not being depreciated	\$ 70,913	\$ -	\$ -	\$ 70,913
Capital assets being depreciated -				
Walter Scott 4 Production	1,774,463	12,464	-	1,786,927
Transmission System	759,712	37,125	12,891	783,946
Distribution	3,410,043	-	2,381,990	1,028,053
Buildings and improvements	839,342	70,210	26,536	883,016
Equipment	<u>2,168,012</u>	<u>94,785</u>	<u>223,021</u>	<u>2,039,776</u>
Total Cost	8,951,572	214,584	2,644,438	6,521,718
Less -				
Accumulated Depreciation	<u>4,788,758</u>	<u>208,818</u>	<u>2,034,622</u>	<u>2,962,954</u>
Cost Less Depreciation	4,162,814	5,766	609,816	3,558,764
Total Capital Assets, Net	<u>\$ 4,233,727</u>	<u>\$ 5,766</u>	<u>\$ 609,816</u>	<u>\$ 3,629,677</u>

NOTE 5 - REVENUE BONDS AND NOTES PAYABLE

Series 2003 Electric Revenue Bonds were issued in November 2003 by the electric utility in the original amount of \$1,615,000. The bonds provided funds to finance the purchase of 1.05 Megawatts of the 790 Megawatt MidAmerican electric generating plant built near Council Bluffs, Iowa referred to as the Walter Scott 4 Generation Plant. These bonds mature serially from December 1, 2004 through December 1, 2021, with interest at various rates from 1.40 to 4.75 percent per annum payable semiannually on June 1 and December 1. The bonds are callable at par plus accrued interest on or after December 1, 2011.

Series 2005 Electric Revenue Capital Refunding Loan Notes were issued In December 2005 by the electric utility in the original amount of \$1,465,000. The notes provided funds to advance refund the 2000 revenue notes under a crossover refunding arrangement. The proceeds of the 2005 refunding notes were placed in an irrevocable trust fund to provide for the future debt service of the 2000 notes. Interest on the 2005 refunding notes was paid from the escrow account through December 1, 2008, on which date the 2000 notes were called for redemption and paid from the escrow account. As a result of the advance refunding, the Utility achieved a debt service savings of \$192,691.

Proceeds of the previously issued, Series 2000 Capital Loan Notes were used to finance the construction of a fiber coaxial cable communication system.

Changes in bond and notes outstanding for the year are as follows:

	Balances Beginning of Year	Increases	Decreases	Balances End of Year
2003 Electric Revenue Bonds	\$ 1,280,000	\$ -	\$ (75,000)	\$ 1,205,000
2005 Electric Refunding Notes	1,465,000	-	(110,000)	1,355,000
Subtotals	<u>\$ 2,745,000</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ 2,560,000</u>
Less: Current Maturities				(190,000)
Unamortized Discount				(21,467)
Unamortized Refunding Charges				(19,101)
				<u>\$ 2,329,432</u>

Future maturities of bond and note principal and interest are as follows:

Year Ending December 31,	Series 2003 Revenue Revenue Bonds		Series 2005 Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 75,000	\$ 50,955	\$ 115,000	\$ 57,100	\$ 190,000	\$ 108,055
2011	80,000	48,443	120,000	52,730	200,000	101,173
2012	85,000	45,602	120,000	48,050	205,000	93,652
2013	90,000	42,458	125,000	43,250	215,000	85,708
2014	90,000	38,992	135,000	38,125	225,000	77,117
2015-2019	525,000	134,103	740,000	101,073	1,265,000	235,176
2016-2021	260,000	18,940	-	-	260,000	18,940
Totals	<u>\$1,205,000</u>	<u>\$ 379,493</u>	<u>\$ 1,355,000</u>	<u>\$ 340,328</u>	<u>\$2,560,000</u>	<u>\$ 719,821</u>

NOTE 5 - REVENUE BONDS AND NOTES PAYABLE (Continued)

The resolutions providing for the issuance of revenue bonds and notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which monthly deposits of 25% of sinking fund deposits, to a maximum annual amount of principal and interest coming due on the Notes and Parity Obligations which calculate to \$132,530 for the 2003 bond issue and \$174,095 for the 2005 bond issue, for a total of \$306,625, shall be set apart.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated for each bond issue. These accounts are restricted for the purpose of paying for necessary repairs, improvements, and extension to the system.

NOTE 6 - PAYMENT TO THE CITY

The Utilities provides electricity, water and other services to the City. An amount approximating the charges for utilities and services is contributed back to the City as in-lieu-of-tax payments. The total amount paid to the City for the year was \$42,000.

NOTE 7 - COMPENSATED ABSENCES

The Utilities' employees are entitled to certain compensated absences based on length of employment. Vacation hours are accumulated on a calendar year basis with no carryover to subsequent years allowed.

NOTE 8 - PENSION AND RETIREMENT BENEFITS

The Utilities contribute 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 participants are required to contribute 4.10% of their annual covered salary and the Utilities is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Utilities' required contributions to IPERS for the years ended December 31, 2009, 2008 and 2007, were \$13,558, \$12,275 and \$11,591, respectively.

NOTE 9 - CONCENTRATIONS

The Utilities provides utility services to commercial and residential customers in a specified service area in and around the City of Alta, Iowa. Credit is granted to substantially all customers, all of whom are local business or residents. All new customers of the Utilities are required to pay a meter deposit. The deposit is refundable after twelve months if their account balances have been paid on time during that period. The Utilities' credit risks have been anticipated and management believes that adequate provision has been made for doubtful collections.

NOTE 10 - RISK MANAGEMENT

The Utilities 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, except for loss of infrastructure, are covered by the purchase of commercial insurance. The Utility 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.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statement of net assets.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The prior period adjustment shown as a decrease in net assets consists of the following:

	Electric Utility	Water Utility	Total
1. Year End Accounts Receivable	\$ (56,076)	\$ (11,360)	\$ (67,436)
2. Sewer and Landfill Fees Correction	(16,248)	-	(16,248)
3. Joint Use Capital Contribution Transfer	(650,000)	-	(650,000)
4. Remove Compensated Absence Accrual	4,268	3,469	7,737
Total	<u>\$ (718,056)</u>	<u>\$ (7,891)</u>	<u>\$ (725,947)</u>

An explanation of each adjustment is as follows:

1. The Utilities changed its accounting policy regarding the estimated accrual of revenue earned but not billed for services provided customers from the last billing during the month and the end of the year. An estimate for the last fifteen days of the year will no longer be made.
2. The Utilities bills, collects and remits to the City sewer and landfill fees. The amounts owed the City at December 31, 2008, were understated by \$7,667 and \$8,581, respectively.
3. In 2001, the Utilities entered into a joint use agreement with Alta Municipal Broadband Communications Utility whereby the underground fiber and coaxial cable communications system was leased to the Communications Utility. As a result of this agreement, accruals were made for amounts due from the Communications Utility, but the amount, to the extent of \$650,000, was not paid. Management has determined there is little likelihood that financial resources will ever exist to collect the amount due. Accordingly, it is agreed to consider the balance a one time capital contribution from the Alta Municipal Utilities to the Communications Utility.
4. During 2009, it was determined that the policy for compensated absences was misinterpreted. The policy is and has been that accrued vacation can not be carried over to the following year. Consequently, a prior period adjustment has been reported to properly reflect the correct liability as of December 31, 2008, which should have been zero.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2010, which is the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ALTA MUNICIPAL UTILITIES

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Actual	Original and Final Budget Amounts	Actual to Budget Variance
RECEIPTS:			
Use of Money and Property	\$ 25,572		
Charges for Service	1,548,029		
Miscellaneous	8,017		
Total Receipts	<u>1,581,618</u>	\$ 1,684,306	\$ (102,688)
DISBURSEMENTS:			
Business Type Activities -			
Operating Expenses	1,208,500		
Miscellaneous	26,123		
Capital Outlay	176,193		
Debt Service -			
Debt Principal Payments	185,000		
Interest Payments	115,054		
Payment to City	42,000		
Transfers to Communications Utility -			
Operating to Cable	11,072		
Capital to Cable	433,371		
Capital to Telephone	162,493		
Total Disbursements	<u>2,359,806</u>	1,854,936	(504,870)
Excess (Deficiency) of Receipts Over Disbursements	(778,188)	<u>\$ (170,630)</u>	<u>\$ (607,558)</u>
RECONCILE TO GAAP:			
Add Items Expensed on Budget -			
Debt Principal Cost	185,000		
Capital Outlay Costs	176,193		
Sub-Total	<u>(416,995)</u>		
Fund Balance, Beginning of Year, as Adjusted	3,000,382		
Fund Balance, End of Year	<u>\$ 2,583,387</u>		

ALTA MUNICIPAL UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

In accordance with the Code of Iowa, the Alta City Council annually adopts a budget on the accrual basis following required public notice and hearing for all funds of the primary government and component units, including the operations of Alta Municipal Utilities (AMU). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The AMU's budget was not amended during the year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt services, capital projects and business type activities. AMU's budget is included in the business type activities function. Functional disbursements required to be budgeted include disbursements for the primary government funds and enterprise funds, which would include AMU's disbursements. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

OTHER SUPPLEMENTARY INFORMATION

ALTA MUNICIPAL UTILITIES
SCHEDULE OF EXPENSES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
PURCHASED POWER	\$ 312,087	\$ -	\$ 312,087
LOCAL PLANT OPERATIONS:			
Wages and Benefits	\$ 13,035	\$ 16,031	\$ 29,066
Supplies and Chemicals	13,824	28,879	42,703
Utilities	6,124	45,529	51,653
Fuel and Oil	10,086	704	10,790
Other Expenses	3,846	1,481	5,327
Total Local Plant Operations	<u>\$ 46,915</u>	<u>\$ 92,624</u>	<u>\$ 139,539</u>
GENERATING EXPENSE - WALTER SCOTT 4:			
Generation Operation/Maintenance	\$ 51,918	\$ -	\$ 51,918
Transmission Operation/Maintenance	79	-	79
Fuel	70,727	-	70,727
Other Expenses	9,243	-	9,243
Total Local Plant Operations	<u>\$ 131,967</u>	<u>\$ -</u>	<u>\$ 131,967</u>
DISTRIBUTION MAINTENANCE EXPENSES:			
Wages and Benefits	\$ 46,747	\$ 42,208	\$ 88,955
Testing and Supplies	33,962	41,634	75,596
Other	6,013	2,937	8,950
Total Distribution Expenses	<u>\$ 86,722</u>	<u>\$ 86,779</u>	<u>\$ 173,501</u>
ADMINISTRATIVE AND GENERAL EXPENSES:			
Wages and Benefits	\$ 75,368	\$ 44,077	\$ 119,445
Office Supplies and Postage	4,468	4,382	8,850
Insurance - Employees	23,230	14,577	37,807
Insurance - General	6,057	4,720	10,777
Professional Fees	18,793	6,445	25,238
Dues and Subscriptions	3,271	1,165	4,436
Advertising	1,074	1,074	2,148
Meetings and Travel	978	651	1,629
Technical Support	1,289	1,208	2,497
Telephone	1,624	1,235	2,859
Bad Debts (Recoveries)	(1,202)	-	(1,202)
Other Expense	8,867	2,035	10,902
Total Administrative and General Expenses	<u>\$ 143,817</u>	<u>\$ 81,569</u>	<u>\$ 225,386</u>

(Continued)

ALTA MUNICIPAL UTILITIES

SCHEDULE OF EXPENSES
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
ECONOMIC DEVELOPMENT ENERGY CONSERVATION:			
Economic Development	\$ 4,025	\$ 25	\$ 4,050
Energy Conservation and Efficiency	13,153	-	13,153
	<hr/>	<hr/>	<hr/>
Total Economic Development Energy Conservation	<u>\$ 17,178</u>	<u>\$ 25</u>	<u>\$ 17,203</u>
DEPRECIATION:			
Depreciation	<u>\$ 117,747</u>	<u>\$ 91,070</u>	<u>\$ 208,817</u>

OTHER REPORTS

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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

Alta Municipal Utilities
Alta Rapids, Iowa

We have audited the accompanying financial statements of Alta Municipal Utilities (the Utilities), a component unit of the City of Alta, Iowa, as of and for the year ended December 31, 2009, and have issued our report thereon dated February 25, 2010. 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 Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control over financial reporting.

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies referred to above is a material weakness.

Compliance and Other

As part of obtaining reasonable assurance about whether the Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, and contracts, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended December 31, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employee, and citizens of Alta, Iowa, and other parties to whom Alta Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By  _____
Certified Public Accountant

February 25, 2010

ALTA MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2009

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which could have a material effect on the financial statement amounts.
- (c) No material weaknesses in internal control were noted.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Instances of Non-Compliance:

No Matters were noted.

Significant Deficiencies:

II-A-09 **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Management of the Utilities will continue to cross-train office employees in an attempt to alleviate the problem. This problem may never be one hundred percent cured due to the limited number of employees to perform the duties.

Conclusion - Response accepted.

II-B-09 **Electronic Data Processing Systems** - During our review of internal control, the existing control activities in the Utilities' computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer-based systems were noted:

The Communications Utility does not have written policies for:

- Password privacy and confidentiality,
- Requiring regular password changes to log into software,
- Insuring that only properly licensed software is installed on computers.

Also, the Communications Utility does not have a written disaster recovery plan.

II-B-09 **Electronic Data Processing Systems (Continued)**

Recommendation - The Communications Utility should develop written policies addressing the above items in order to improve the Communications Utility's control over computer based systems and a written disaster recovery plan should be developed.

Response - The Communications Utility is trying to locate a written policy that, with modifications, will fit our application. The Communications Utility will continue to pursue options to develop a written policy.

Conclusion - Response accepted.

II-C-09 **Financial Reporting** - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for Utility board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Conclusion - Response accepted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-09 **Official Depositories** - The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the current year.

III-B-09 **Certified Budget** - Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Expenses exceeded the certified budget for the current year fiscal year by \$501,870 entirely as a result of a capital transfer to Alta Municipal Broadband Communications Utility of the net book value of the fiber coaxial cable communication system totaling \$595,864.

III-C-09 **Questionable Disbursements** - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-09 **Travel Expenses** - No disbursement of the Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

III-E-09 **Business Transactions** - Business transactions between the Utilities and Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

ALTA MUNICIPAL UTILITIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009**

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- III-F-09 **Bond Coverage** - Surety bond coverage of Alta Municipal Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-G-09 **Trustee Minutes** - No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not.
- III-H-09 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Alta Municipal Utilities' investment policy were noted.
- III-I-09 **Revenue Bonds and Notes** - No instances of non-compliance with the electric revenue bond and capital loan note requirements for the year ended December 31, 2009, were noted.
- III-J-08 **Telecommunication Services** - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.