

**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, 2011**

# ALTA MUNICIPAL UTILITIES

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**ALTA MUNICIPAL UTILITIES**

**OFFICIALS  
DECEMBER 31, 2011**

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>
<b>Governing Board-</b>		
Jeff James	Trustee	June 2016
David Taylor	Trustee	June 2017
Dennis Weber	Chairman	June 2012
Thomas Stanton	Trustee	June 2014
Kevin Walsh	Trustee	June 2015
<b>Others-</b>		
Tim Taylor	Superintendent	Resigned October 2011
Randy Tilk	Superintendent	Hired January 2012

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.

402-592-3800  
Fax: 402-592-7747  
www.ofwf.com

Gregory A. Harr, C.P.A.  
Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Alta Municipal Utilities  
Alta, Iowa

We have audited the accompanying financial statements of the business-type activities and 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, 2011, 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 auditing standards generally accepted in the United States of America, 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 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 respective 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 respective financial position of the business-type activities and each major fund of Alta Municipal Utilities, as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1, page 18, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Municipal Utilities' financial statements as a whole. The other supplementary schedule of expenses, Schedule 2, page 20, is presented for the purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has not presented management's discussion and analysis that governmental accounting principles generally Accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

August 1, 2012

## **FINANCIAL STATEMENTS**

## ALTA MUNICIPAL UTILITIES

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

ASSETS	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
<b>CURRENT ASSETS:</b>			
Cash and Invested Cash	\$ 128,520	\$ 186,530	\$ 315,050
Accounts Receivable, Net	157,583	30,407	187,990
Inventories	91,668	3,134	94,802
Accrued Interest Receivable	152	-	152
Prepaid Expenses	22,607	1,766	24,373
Total Current Assets	400,530	221,837	622,367
<b>RESTRICTED ASSETS:</b>			
Cash and Invested Cash Held for -			
Bond Sinking	24,932	-	24,932
Bond Reserve Fund	309,078	-	309,078
Bond Improvement Fund	100,000	-	100,000
NIMECA - Emissions Account	4,885	-	4,885
CTS - Capital Improvement Fund	51,136	-	51,136
Whelan Reserve Fund	11,859	-	11,859
Total Restricted Assets	501,890	-	501,890
<b>OTHER ASSETS:</b>			
Due From the City of Alta (Fire Station)	100,685	-	100,685
Non-Utility Property - Net of			
Accumulated Depreciation	14,642	-	14,642
Prepaid Water Tower Maintenance	-	76,125	76,125
Land Held for Economic Development	23,728	-	23,728
Deferred Patronage Refund Receivable	21,566	-	21,566
Transmission Plant Acquisition Costs -			
Net of Amortization	840	-	840
Bond Issuance Costs - Net of Amortization	16,495	-	16,495
Total Other Assets	177,956	76,125	254,081
<b>CAPITAL ASSETS:</b>			
Plant, Facilities and Equipment, at Cost	5,413,524	2,209,343	7,622,867
Accumulated Depreciation	(2,004,531)	(1,359,037)	(3,363,568)
Land	70,913	-	70,913
Cost Less Depreciation	3,479,906	850,306	4,330,212
Total Assets	\$ 4,560,282	\$ 1,148,268	\$ 5,708,550

See Notes to Financial Statements

## ALTA MUNICIPAL UTILITIES

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

LIABILITIES	Business Type Activities - Enterprise Funds		
	Electric Utility	Water Utility	Total
<b>CURRENT LIABILITIES:</b>			
Accounts Payable - Trade	\$ 43,109	\$ 9,198	\$ 52,307
Payables - Collections for City	59,659	-	59,659
Payroll, Sales and Use Taxes Payable	2,370	2,072	4,442
Accrued Expenses	22,040	3,521	25,561
Customer Deposits	38,805	-	38,805
Total Current Liabilities	165,983	14,791	180,774
<b>LIABILITIES FROM RESTRICTED ASSETS:</b>			
Current Maturities of Revenue Bonds	225,000	-	225,000
<b>NON-CURRENT LIABILITIES:</b>			
Revenue Bonds, Net of Current Maturities Above	1,967,248	-	1,967,248
Total Liabilities	2,358,231	14,791	2,373,022
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,333,283	850,307	2,183,590
Restricted	501,890	-	501,890
Unrestricted	366,878	283,170	650,048
Total Net Assets	2,202,051	1,133,477	3,335,528
Total Liabilities and Net Assets	\$ 4,560,282	\$ 1,148,268	\$ 5,708,550

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, 2011**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Electric Utility Fund</b>	<b>Water Utility Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Sales to Customers	\$ 1,380,868	\$ 324,805	\$ 1,705,673
Penalties and Service Fees	19,738	1,135	20,873
Tax Revenue Levied	-	6,441	6,441
Joint Use Revenue	1,300	-	1,300
Miscellaneous	36,000	-	36,000
Total Operating Revenues	<u>1,437,906</u>	<u>332,381</u>	<u>1,770,287</u>
<b>OPERATING EXPENSES:</b>			
Purchased Power	417,966	-	417,966
Local Plant Operations	54,683	104,650	159,333
Generating Expenses - Walter Scott 4	151,478	-	151,478
Distribution Maintenance Expenses	85,426	53,399	138,825
Administration General Expenses	140,157	87,826	227,983
Energy Conservation Economic Development	5,105	25	5,130
Depreciation	113,202	87,682	200,884
Total Operating Expenses	<u>968,017</u>	<u>333,582</u>	<u>1,301,599</u>
Operating Income (Loss)	469,889	(1,201)	468,688
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Revenues from Merchandising	8,807	-	8,807
Cost of Merchandising	<u>(26,705)</u>	<u>-</u>	<u>(26,705)</u>
Loss from Merchandising	(17,898)	-	(17,898)
Contributions-in-Aid of Construction	30,521	-	30,521
Interest Income	8,356	-	8,356
Interest Expense	(109,375)	-	(109,375)
Amortization of Bond Issuance Costs	(39,783)	-	(39,783)
Contribution from AMBCU to AMU	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Net Nonoperating Revenues (Expenses)	<u>246,821</u>	<u>-</u>	<u>246,821</u>
Income (Loss) before Transfers	716,710	(1,201)	715,509
<b>TRANSFERS IN (OUT):</b>			
Transfer from Electric to Water	(375,000)	375,000	-
Payments to City	<u>(56,206)</u>	<u>-</u>	<u>(56,206)</u>
Total Transfers In (Out)	<u>(431,206)</u>	<u>375,000</u>	<u>(56,206)</u>
Change in Net Assets	285,504	373,799	659,303
Total Net Assets - Beginning of Year	1,916,547	759,678	2,676,225
Total Net Assets - End of Year	<u>\$ 2,202,051</u>	<u>\$ 1,133,477</u>	<u>\$ 3,335,528</u>

See Notes to Financial Statements.

**ALTA MUNICIPAL UTILITIES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Electric Utility Fund</b>	<b>Water Utility Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers and Users	\$ 1,456,694	\$ 329,253	\$ 1,785,947
Cash Paid to Suppliers for Goods and Services	(766,725)	(133,233)	(899,958)
Cash Paid to Employees for Wages and Benefits	(157,044)	(102,651)	(259,695)
Net Cash Flow from Operating Activities	<u>532,925</u>	<u>93,369</u>	<u>626,294</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash Paid to the City of Alta	(56,206)	-	(56,206)
Contribution from AMBCU to Electric	375,000	-	375,000
Transfers from Electric to Water	(375,000)	375,000	-
Net Cash from Noncapital Financing Activities	<u>(56,206)</u>	<u>375,000</u>	<u>318,794</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Contributions-in-Aid of Construction	30,521	-	30,521
Cash Paid for Construction in Progress Capital Assets	(946,761)	(6,646)	(953,407)
Revenue Bond Proceeds, Net	1,178,443	-	1,178,443
Cash Paid for Revenue Debt Payoff	(1,130,000)	-	(1,130,000)
Cash Paid for Principal Payments on Revenue Debt	(230,000)	-	(230,000)
Cash Paid for Interest on Debt	(121,919)	-	(121,919)
Net Cash Flow from Capital and Related Financing Activities	<u>(1,219,716)</u>	<u>(6,646)</u>	<u>(1,226,362)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on Investments	8,356	-	8,356
Increase in Restricted Cash	(14,479)	-	(14,479)
Release of Restricted Cash	131,740	-	131,740
Net Cash Flow from Investing Activities	<u>125,617</u>	<u>-</u>	<u>125,617</u>
Net Increase in Cash and Cash Equivalents	(617,380)	461,723	(155,657)
Cash and Cash Equivalents - Beginning of Year	745,900	(275,193)	470,707
Cash and Cash Equivalents - End of Year	<u>\$ 128,520</u>	<u>\$ 186,530</u>	<u>\$ 315,050</u>

See Notes to Financial Statements

**ALTA MUNICIPAL UTILITIES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Electric Utility Fund</b>	<b>Water Utility Fund</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss) (Exhibit B)	\$ 469,889	\$ (1,201)	\$ 468,688
Adjustments to Reconcile Operating Income			
(Loss) to Net Cash From Operating Activities -			
Depreciation - Capital Assets	113,202	87,682	200,884
Other Revenues (Expenses)	(33,742)	-	(33,742)
(Increase) Decrease in Operating Assets -			
Accounts Receivable	18,788	(3,128)	15,660
Inventories	(10,522)	1,082	(9,440)
Other Current and Prepaid Assets	(5,523)	8,612	3,089
Increase (Decrease) in Operating Liabilities -			
Accounts and Other Payables	(14,902)	(1,639)	(16,541)
Payroll, Sales and Use Taxes Payable	(150)	721	571
Accrued Expenses	(2,360)	1,240	(1,120)
Customer Deposits	(1,755)	-	(1,755)
Net Cash Flows from Operating			
Activities	<u>\$ 532,925</u>	<u>\$ 93,369</u>	<u>\$ 626,294</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) and the telephone and coaxial cable systems are operated independently as Alta Municipal Broadband Communications Utility (the Communications 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.

AMU 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 municipal 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. AMU 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. Reporting Entity -

These financial statements include only accounts of the Alta Municipal Utilities. Generally accepted accounting principles requires management to consider if it has oversight responsibility or control over any other legal entity or receives a financial benefit or is a burden in its relationship with such other entity. The Alta Municipal Utilities has no component units itself, but has determined that it is a component unit of the City of Alta. The Alta Municipal Utilities reports its financial activity independent of the City.

##### C. 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, 2011, was \$458,872.

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 has recorded its share of the cost of this generating station as capital assets in the Electric Utility Fund. The net book value at December 31, 2011, was \$1,738,402.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

### D. **Basis of Presentation -**

The accounts of AMU 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. All AMU activity is reported as two major enterprise funds, Electric Utility Fund and Water Utility Fund.

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 capital maintenance, public policy, management control, 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, AMU 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.

### E. **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.

AMU 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 revenues, expenses and changes in net assets display information about the business-type activities of AMU 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 AMU's 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **E. Measurement Focus and Basis of Accounting (Continued) -**

*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.

AMU's policy is to first apply restricted resources when an expense is incurred for purposes for which restricted and unrestricted assets are available.

The statement of revenues, 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 entity's principal ongoing operations. Operating revenues are 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.

### **F. 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.

### **G. 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.

### **H. Cash and Cash Equivalents -**

The proprietary funds of AMU 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.

### **I. 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.

### **J. 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.

### **K. 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. Interest capitalized during 2011 was \$10,291. 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 included in the final change in net assets amount.

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 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

**L. Restricted Net Assets -**

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

Restricted for -

CTS Improvement Account	\$ 51,136
NIMECA – Emissions Account	4,885
Whelan #2 Reserve Fund	11,859
Bond Sinking Fund	24,932
Bond Reserve Fund	309,078
Bond Improvement Fund	100,000
	<u>\$ 501,890</u>

**M. 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, 2011, expenditures exceeded the amount budgeted.

**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 entity's and fund's share of the total cash balance. All deposits at December 31, 2011, 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 all 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.

Monies held for special purposes are limited to the use for which restricted and cannot be used for the general operations of either entity. 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, 2011, 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 \$51,136. 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 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 - DUE FROM THE CITY OF ALTA**

The Electric Utility made payments totaling \$273,716 on behalf of the City during 2010 and 2011 for the construction of the a new fire station. Of those payments, \$125,858 will be repaid by the City in annual payments of \$25,372, including interest, beginning in July 2011. Interest will be based on the outstanding obligation at a rate of .318%.

Annual future amounts receivable for the loan are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 25,052	\$ 320	\$ 25,372
2013	25,132	240	25,372
2014	25,211	160	25,371
2015	25,291	80	25,371
Totals	<u>\$ 100,686</u>	<u>\$ 800</u>	<u>\$ 101,486</u>

**NOTE 5 – LAND HELD FOR ECONOMIC DEVELOPMENT**

AMU invested in land jointly with the City of Alta for the purpose of developing residential lots held for sale. The original lots were purchased in 2005 with AMU’s half of invested cost capitalized of \$117,500. Carrying costs are minimal and expensed as incurred. When lots are sold each entity receives half of the net proceeds. As of December 31, 2011, three lots remain with a cost basis of \$23,728 for AMU’s share.

**NOTE 6 - CAPITAL ASSETS**

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

	Beginning of Year	Increases	Decreases	End of Year
Capital Assets Being Depreciated -				
Walter Scott 4 Production	\$ 1,792,978	\$ 146,871	\$ -	\$ 1,939,849
Transmission System	796,558	54,555	5,149	845,964
Distribution	2,121,688	828,152	-	2,949,845
Buildings and Improvements	883,138	-	-	883,138
Equipment	<u>975,438</u>	<u>28,633</u>	<u>-</u>	<u>1,004,071</u>
Total Cost	6,569,800	1,058,216	5,149	7,622,867
Accumulated Depreciation	<u>(3,170,507)</u>	<u>(198,210)</u>	<u>(5,149)</u>	<u>(3,363,568)</u>
Cost Less Depreciation	3,399,293	860,006	-	4,259,299
Capital Assets not Being Depreciated -				
Land	70,913	-	-	70,913
Construction In Progress	<u>56,249</u>	<u>754,972</u>	<u>811,221</u>	<u>-</u>
 Total Capital Assets, Net	 <u>\$ 3,526,455</u>	 <u>\$ 1,614,978</u>	 <u>\$ 811,221</u>	 <u>\$ 4,330,212</u>

**NOTE 7 - 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. The bonds were called at par plus accrued interest and refunded and replaced by Series 2011 Electric Revenue Refunding Capital Loan Notes.

On December 15, 2005, AMU issued \$1,465,000 of Series 2005 Electric Revenue Capital Refunding Bonds to provide funds to advance refund the 2000 revenue notes under a crossover refunding arrangement. The serial bonds carry interest rates of 3.75% to 4.5% and mature between December 1, 2009, and December 1, 2019.

Series 2011 Electric Revenue Refunding Capital Loan Notes were issued in February 2011 by the Electric Utility in the original amount of \$1,215,000. The notes provided funds to advance refund the 2003 Electric Revenue Bonds. The notes mature serially from December 1, 2011 through December 1, 2021, with interest at various rates from .75 to 3.40 percent per annum payable semiannually at June 1 and December 1.

**NOTE 7 - REVENUE BONDS AND NOTES PAYABLE (Continued)**

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

	<b>Balances Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances End of Year</b>
2003 Electric Revenue Bonds	\$ 1,130,000	\$ -	\$ (1,130,000)	\$ -
2005 Electric Refunding Bonds	1,240,000	-	(120,000)	1,120,000
2011 Electric Revenue Refunding Notes	-	1,215,000	(110,000)	1,105,000
Subtotals	<u>\$ 2,370,000</u>	<u>\$ 1,215,000</u>	<u>\$ (1,360,000)</u>	<u>\$ 2,225,000</u>
Less: Current Maturities				(225,000)
Unamortized Discount				(32,752)
				<u>\$ 1,967,248</u>

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

Year Ending December 31,	Series 2005 Revenue Revenue Bonds		Series 2011 Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 120,000	\$ 48,050	\$ 105,000	\$ 26,138	\$ 225,000	\$ 74,188
2013	125,000	43,250	110,000	24,983	235,000	68,233
2014	135,000	38,125	105,000	23,553	240,000	61,678
2015	135,000	32,523	110,000	21,872	245,000	54,395
2016	140,000	26,785	110,000	19,727	250,000	46,512
2017-2020	465,000	41,765	445,000	51,032	910,000	92,797
2021	-	-	120,000	4,080	120,000	4,080
Totals	<u>\$ 1,120,000</u>	<u>\$ 230,498</u>	<u>\$ 1,105,000</u>	<u>\$ 171,385</u>	<u>\$ 2,225,000</u>	<u>\$ 401,883</u>

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. This account is fully funded.
- 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 \$134,983 for the 2011 bond issue and \$174,095 for the 2005 bond issue, for a total of \$309,078, shall be set apart. This account is fully funded.
- 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 the bond issues. These accounts are restricted for the purpose of paying for necessary repairs, improvements, and extension to the system. This account is fully funded.

## **NOTE 8 - PAYMENT TO THE CITY**

AMU 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. For that purpose, the total amount paid to the City for the year was \$42,000. Additionally, AMU contributed \$14,206 for the final payment on the construction of the City's fire station.

## **NOTE 9 - COMPENSATED ABSENCES**

AMU 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 10 - PENSION AND RETIREMENT BENEFITS**

AMU 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 participants are required to contribute 4.50% of their annual covered salary through June 30, 2011 and 5.38% through December 31, 2011 and the employer is required to contribute 6.95% through June 30, 2011 and 8.07% through December 31, 2011 of annual covered payroll. Contribution requirements are established by state statute. AMU required contributions to IPERS for the years ended December 31, 2011, 2010 and 2009, were \$16,234, \$14,507 and \$13,558, respectively.

## **NOTE 11 - CONCENTRATIONS**

AMU 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 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. Possible credit risks have been anticipated and management believes that adequate provision has been made for doubtful collections.

## **NOTE 12 - RISK MANAGEMENT**

AMU 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. AMU 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 13 - 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 14 – COMMITMENTS**

The Electric Utility has two contracts with Harold Scholz, Co. for an upgraded substation and switchgear for a total contract amount of \$793,673 plus engineering costs. The new substation became operational during 2011 but costs of approximately \$113,000 have not yet been completed and were unpaid as of December 31, 2011.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 1, 2012, 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, 2011

	Actual	Original and Final Budget Amounts	Actual to Budget Variance
<b>RESOURCES:</b>			
Taxes Assessed	\$ 6,441		
Use of Money and Property	8,356		
Charges for Service	1,726,546		
Contributions-in-Aid of Construction	30,521		
Contribution from AMBCU	375,000		
Miscellaneous	19,402		
Total Receipts	<u>2,166,266</u>	\$ 1,652,800	\$ 513,466
<b>EXPENDITURES:</b>			
Business Type Activities -			
Operating Expenses	1,301,599		
Non Operating Expense	39,783		
Debt Service -			
Debt Principal Payments	230,000		
Interest Payments	109,375		
Capital Outlay	953,407		
Payment to City	56,206		
Total Disbursements	<u>2,690,370</u>	1,930,998	(759,372)
Excess (Deficiency) of Receipts Over Disbursements	(524,104)	<u>\$ (278,198)</u>	<u>\$ (245,906)</u>
<b>RECONCILE TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</b>			
Add Items Expensed on Budget -			
Capital Outlay	953,407		
Debt Principal Payments	<u>230,000</u>		
Sub-Total	659,303		
Fund Balance, Beginning of Year	2,676,225		
Fund Balance, End of Year	<u>\$ 3,335,528</u>		

## **ALTA MUNICIPAL UTILITIES**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

In accordance with the Code of Iowa, the Alta Municipal Utilities Board of Trustees annually adopts a budget on the accrual basis, modified to include expenditures for capital outlay and debt principal payments, following required public notice and hearing for all funds of the business-type enterprise of the Alta Municipal Utilities (AMU). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In general, 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. 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.

The AMU budget is included in the business-type activities function

The AMU budget was not amended during the year. The actual expenditures exceeded the budget by \$759,372.

**OTHER SUPPLEMENTARY INFORMATION**

ALTA MUNICIPAL UTILITIES

SCHEDULE OF EXPENSES  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business Type Activities - Enterprise Funds		
	Electric Utility Fund	Water Utility Fund	Total
<b>PURCHASED POWER</b>	\$ 417,966	\$ -	\$ 417,966
<b>LOCAL PLANT OPERATIONS:</b>			
Wages and Benefits	\$ 22,808	17,704	\$ 40,512
Supplies and Chemicals	12,621	25,225	37,846
Utilities	8,870	48,514	57,384
Fuel and Oil	6,337	1,131	7,468
Other Expenses	4,047	12,076	16,123
Total Local Plant Operations	\$ 54,683	\$ 104,650	\$ 159,333
<b>GENERATING EXPENSE - WALTER SCOTT 4:</b>			
Generation Operation/Maintenance	\$ 46,004	-	\$ 46,004
Transmission Operation/Maintenance	20	-	20
Fuel	90,549	-	90,549
Other Expenses	14,905	-	14,905
Total Generating Expense	\$ 151,478	\$ -	\$ 151,478
<b>DISTRIBUTION MAINTENANCE EXPENSES:</b>			
Wages and Benefits	\$ 57,014	39,404	\$ 96,418
Testing and Supplies	27,507	12,703	40,210
Other Expenses	905	1,292	2,197
Total Distribution Expenses	\$ 85,426	\$ 53,399	\$ 138,825
<b>ADMINISTRATIVE AND GENERAL EXPENSES:</b>			
Wages and Benefits	\$ 77,222	45,543	\$ 122,765
Office Supplies and Postage	5,026	5,075	10,101
Insurance - Employees	26,610	14,986	41,596
Insurance - General	10,260	7,115	17,375
Professional Fees	14,546	5,340	19,886
Dues and Subscriptions	2,751	577	3,328
Advertising	881	1,484	2,365
Meetings and Travel	492	1,218	1,710
Technical Support	1,371	1,281	2,652
Telephone	1,955	1,410	3,365
Bad Debts (Recoveries)	(1,936)	722	(1,214)
Other Expenses	979	3,075	4,054
Total Administrative and General Expenses	\$ 140,157	\$ 87,826	\$ 227,983

ALTA MUNICIPAL UTILITIES

SCHEDULE OF EXPENSES  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
<b>ECONOMIC DEVELOPMENT ENERGY</b>			
<b>CONSERVATION:</b>			
Economic Development	\$ 25	\$ 25	\$ 50
Energy Conservation and Efficiency	5,080	-	5,080
Total Economic Development Energy			
Conservation	<u>\$ 5,105</u>	<u>\$ 25</u>	<u>\$ 5,130</u>
<b>DEPRECIATION</b>	<u>\$ 113,202</u>	<u>\$ 87,682</u>	<u>\$ 200,884</u>

## **OTHER REPORTS**

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.

402-592-3800  
Fax: 402-592-7747  
www.ofwf.com

Gregory A. Harr, C.P.A.  
Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## **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, Iowa

We have audited the financial statements of the business-type activities and 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, 2011, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated August 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

Management of the Utilities is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over the financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are described in Part II of the accompanying Schedule of Findings and Questioned Costs. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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 and grant agreements, 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, 2011, 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 trustees, management 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.

August 1, 2012

## ALTA MUNICIPAL UTILITIES

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2011

#### 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-11 **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-11 **Financial Reporting** - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Utilities 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.

II-B-11 **Financial Reporting** (Continued)

**Response** - Management was hired due to their expertise in utility operations inside and outside of the office, and their ability to work with specialized professional people. The Utility has no plans of hiring additional people or replacing the existing staff. Alta Municipal Utilities has made a conscious decision to rely on the expertise of the auditing firm to prepare year-end financial statements, and to continue to retain a member of management with sufficient knowledge to make management decisions and representations regarding the financial statements.

**Conclusion** - Response accepted.

**PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

- III-A-11 **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 year ended December 31, 2011.
- III-B-11 **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. Utility expenses during the year ended December 31, 2011, exceeded the amount budgeted by \$759,372 due primarily to expenditures for capital outlay.
- III-C-11 **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-11 **Travel Expenses** - No disbursement of the Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- III-E-11 **Business Transactions** - Business transactions between the Utilities and Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- III-F-11 **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-11 **Trustee Minutes** - No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not. However total receipts for the month are not reported as required.
- III-H-11 **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-11 **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, 2011, were noted.