

**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, 2014**

ALTA MUNICIPAL UTILITIES

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ALTA MUNICIPAL UTILITIES

OFFICIALS DECEMBER 31, 2014

Name	Position	Term Expires
Kevin Walsh	Chairman	June 2015
Julie Fast	Trustee	June 2018
Veronica McFadden	Trustee	resigned March 2014
Todd Peterson	Trustee	June 2017
Tom Hinkeldey	Trustee	resigned December 2014
Ryan Brodersen	Trustee	resigned January 2015
Tom Walter	Trustee	June 2019
Josh Corbin	Trustee	June 2016
Randy Tilk	Superintendent	Indefinite

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Alta Municipal Utilities
Alta, Iowa

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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 funds of only that portion of the financial reporting entity of the City of Alta, Iowa, that is attributable to the transactions of the Utilities. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Management has omitted management's discussion and analysis (MD&A) that 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Municipal Utilities' basic financial statements. The budgetary comparison information on Schedule 1, page 19, and the supplementary schedule of expenses, Schedule 2, page 21, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015, on our consideration of Alta Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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* in considering the Utilities' internal control over financial reporting and compliance.

May 26, 2015
Omaha, Nebraska

BASIC FINANCIAL STATEMENTS

ALTA MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

ASSETS	Electric Utility Fund	Water Utility Fund	Total
CURRENT ASSETS:			
Cash and cash equivalents	\$ 271,030	\$ 38,970	\$ 310,000
Cash and cash equivalents - restricted	<u>528,177</u>	<u>-</u>	<u>528,177</u>
Total cash and cash equivalents	799,207	38,970	838,177
Accounts receivable	298,780	62,336	361,116
Due from the City of Alta (fire station)	25,291	-	25,291
Inventories	74,131	5,332	79,463
Accrued interest receivable	152	-	152
Prepaid expenses	<u>20,883</u>	<u>3,215</u>	<u>24,098</u>
Total current assets	1,218,444	109,853	1,328,297
OTHER ASSETS:			
Non-utility property - net of accumulated depreciation	14,642	-	14,642
Prepaid water tower maintenance	-	50,025	50,025
Patronage refund receivable	<u>21,583</u>	<u>-</u>	<u>21,583</u>
Total other assets	36,225	50,025	86,250
CAPITAL ASSETS:			
Plant, facilities and equipment, at cost	5,864,127	3,690,135	9,554,262
Accumulated depreciation	(2,338,717)	(1,164,782)	(3,503,499)
Land	<u>70,913</u>	<u>-</u>	<u>70,913</u>
Total capital assets, net	3,596,323	2,525,353	6,121,676
 Total assets	 <u>\$ 4,850,992</u>	 <u>\$ 2,685,231</u>	 <u>\$ 7,536,223</u>

See notes to financial statements

ALTA MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

LIABILITIES	Electric Utility Fund	Water Utility Fund	Total
CURRENT LIABILITIES:			
Accounts payable -			
Trade	\$ 38,793	\$ 19,346	\$ 58,139
Construction in progress	-	37,507	37,507
Payables - collections for City	78,239	-	78,239
Payroll, sales and use taxes payable	6,322	3,589	9,911
Accrued expenses	11,047	4,894	15,941
Customer deposits	44,100	-	44,100
Payable from restricted assets -			
Current maturities of revenue bonds	<u>250,000</u>	<u>80,000</u>	<u>330,000</u>
Total current liabilities	428,501	145,336	573,837
 NON-CURRENT LIABILITIES:			
Revenue bonds and notes, net of current maturities above	<u>1,260,722</u>	<u>1,698,475</u>	<u>2,959,197</u>
Total liabilities	1,689,223	1,843,811	3,533,034
 NET POSITION			
Net investment in capital assets	2,100,243	746,877	2,847,120
Restricted	528,176	49,461	577,637
Unrestricted	<u>533,350</u>	<u>45,082</u>	<u>578,432</u>
Total net position	3,161,769	841,420	4,003,189
 Total liabilities and net position	 <u>\$ 4,850,992</u>	 <u>\$ 2,685,231</u>	 <u>\$ 7,536,223</u>

See notes to financial statements

ALTA MUNICIPAL UTILITIES

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Electric Utility Fund	Water Utility Fund	Total
OPERATING REVENUES:			
Sales to customers	\$ 1,658,975	\$ 463,558	\$ 2,122,533
Late payment and service fees	22,829	1,561	24,390
Tax revenue levied	-	6,370	6,370
Joint use revenue	1,300	-	1,300
Other revenue	20,684	-	20,684
Total operating revenues	<u>1,703,788</u>	<u>471,489</u>	<u>2,175,277</u>
OPERATING EXPENSES:			
Purchased power	554,567	-	554,567
Local plant operations	73,071	131,570	204,641
Generating expenses - Walter Scott 4	215,818	-	215,818
Distribution maintenance expenses	92,293	68,891	161,184
Administration general expenses	182,987	132,591	315,578
Energy conservation economic development	10,252	119	10,371
Depreciation	151,811	99,105	250,916
Total operating expenses	<u>1,280,799</u>	<u>432,276</u>	<u>1,713,075</u>
Operating income (loss)	422,989	39,213	462,202
NONOPERATING REVENUES (EXPENSES):			
Revenues from merchandising	3,845	-	3,845
Cost of merchandising	<u>(9,153)</u>	<u>-</u>	<u>(9,153)</u>
Loss from merchandising	(5,308)	-	(5,308)
Interest income	1,608	-	1,608
Interest expense	(40,624)	(35,450)	(76,074)
Amortization of bond issuance discounts	<u>(2,651)</u>	<u>-</u>	<u>(2,651)</u>
Net nonoperating revenues (expenses)	<u>(46,975)</u>	<u>(35,450)</u>	<u>(82,425)</u>
Income (loss) before transfers	376,014	3,763	379,777
TRANSFERS IN (OUT):			
Payments to City	<u>(42,000)</u>	<u>-</u>	<u>(42,000)</u>
Total transfers in (out)	<u>(42,000)</u>	<u>-</u>	<u>(42,000)</u>
Change in net position	334,014	3,763	337,777
Total net position - beginning of year	2,827,755	837,657	3,665,412
Total net position - end of year	<u>\$ 3,161,769</u>	<u>\$ 841,420</u>	<u>\$ 4,003,189</u>

See notes to financial statements

ALTA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric Utility Fund	Water Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers and users	\$ 1,667,538	\$ 464,781	\$ 2,132,319
Received from other operating revenues	33,390	-	33,390
Paid to suppliers for goods and services	(955,942)	(191,969)	(1,147,911)
Paid to employees for wages and benefits	<u>(195,526)</u>	<u>(136,061)</u>	<u>(331,587)</u>
Net cash flow from operating activities	549,460	136,751	686,211
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Received from the City of Alta on loan	25,211	-	25,211
Paid to the City of Alta	(42,000)	-	(42,000)
Paid for merchandising, net	<u>(5,308)</u>	<u>-</u>	<u>(5,308)</u>
Net cash from noncapital financing activities	(22,097)	-	(22,097)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Paid for construction or purchase of capital assets	(180,858)	(817,101)	(997,959)
Paid for principal reductions on revenue bonds	(245,000)	(79,000)	(324,000)
Paid for bond issuance costs	-	(9,580)	(9,580)
Construction reimbursed by CTS	287,852	-	287,852
Revenue bond proceeds, net	-	1,857,475	1,857,475
Net borrowings (payments) on line of credit	-	(907,526)	(907,526)
Paid for interest on debt	<u>(45,330)</u>	<u>(32,650)</u>	<u>(77,980)</u>
Net cash flow from capital and related financing activities	(183,336)	11,618	(171,718)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>1,608</u>	<u>-</u>	<u>1,608</u>
Net cash flow from investing activities	<u>1,608</u>	<u>-</u>	<u>1,608</u>
Net increase (decrease) in cash and invested cash	345,635	148,369	494,004
Cash and cash equivalents - beginning of year	453,572	(109,399)	344,173
Cash and cash equivalents - end of year	<u>\$ 799,207</u>	<u>\$ 38,970</u>	<u>\$ 838,177</u>

(Continued)

ALTA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric Utility Fund	Water Utility Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss) (Exhibit B)	\$ 422,989	\$ 39,213	\$ 462,202
Adjustments to reconcile operating income (loss) to net cash from operating activities -			
Depreciation - capital assets	151,811	99,105	250,916
Amortization - water tower maintenance		8,700	8,700
(Increase) decrease in operating assets -			
Accounts receivable	(15,566)	(6,709)	(22,275)
Inventories	(5,041)	-	(5,041)
Prepaid assets	4,494	(607)	3,887
Land held for economic development	11,882	-	11,882
Patronage dividend	825	-	825
Increase (decrease) in operating liabilities -			
Accounts and other payables	(20,250)	(4,461)	(24,711)
Payroll, sales and use taxes payable	(1,850)	(1,497)	(3,347)
Accrued expenses	(3,704)	3,007	(697)
Customer deposits	3,870	-	3,870
Net cash flows from operating activities	<u>\$ 549,460</u>	<u>\$ 136,751</u>	<u>\$ 686,211</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 diverse 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 Alta Municipal Utilities. Generally accepted accounting principles require management to consider all criteria including if it has oversight responsibility or control over any other legal entity. In considering the reporting entity, Alta Municipal Utilities has no component units itself, but has determined that it is a component unit of the City of Alta, Iowa.

C. Jointly-Owned 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, 2014, was \$450,591.

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 0.14 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, 2014, was \$1,654,093.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation -

The accounts of AMU are organized on the basis of 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 position, revenues and expenses. All AMU activity is reported in two major (proprietary fund type) enterprise funds: Electric Utility Fund and Water Utility Fund.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services provided. These financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to enterprise funds of governmental entities.

E. Measurement Focus and Basis of Accounting -

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenses 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 position, 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 position and statement of revenues, expenses and changes in net position 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. Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources shown on the statement of net position and is divided into three components:

Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less remaining unpaid debt that was used to acquire those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position consists of assets that are restricted by the enabling legislation, by grantors, by externally imposed bond covenants, and by other contributors. AMU's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net position consists of all remaining net position reported in this category.

The statement of revenues, expenses and changes in net position 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. Revenues and expenses not meeting this definition are reported as non-operating items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates -

The preparation of financial statements in conformity with U.S. GAAP 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 midmonth. Revenues earned are recorded through the date meters are read each month. Additionally, revenues earned from utility usage delivered after meters are read to the end of the month during the last month of the year are estimated and recorded.

H. Cash and Cash Equivalents -

All nonnegotiable certificates of deposit are readily convertible to known cash amounts and are included, for purposes of cash flows and cash equivalents, as cash. Also included in cash and cash equivalents at December 31 are the pro rata share of cash held by jointly-owned entities for the benefit of AMU.

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. No allowance was determined necessary for the current period.

J. Inventories -

Materials, 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 share of the coal pile at the jointly-owned Walter Scott 4 Generating Station.

K. Capital Assets -

Capital assets, which include utility plants, infrastructure, facilities and equipment, are stated at historical cost. This includes the cost of system renewals and betterments, including engineering, labor, construction period interest and other related costs. AMU does not have a written policy for capitalizing assets. Management determines capitalization or expensing on an individual item basis.

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.

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 determining the change in net position.

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 through the date of retirement. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position -

The composition of restricted net position at December 31, 2014, is as follows:

	Cash or Equivalents	Cash Certificates	Total
Restricted for -			
Electric bond sinking account	\$ 23,881	\$ -	\$ 23,881
Electric bond reserve account	-	209,000	209,000
Electric bond improvement account	-	100,000	100,000
NIMECA emissions account	5,458	-	5,458
CTS improvement account	165,045	-	165,045
Whelan #2 reserve account	24,792	-	24,792
Water debt sinking account	49,461	-	49,461
Total	<u>\$ 268,637</u>	<u>\$ 309,000</u>	<u>\$ 577,637</u>

M. Budget Information -

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Budgetary control is based on the total expenditures of all utility funds as a whole. During the year, there were no budget amendments. All appropriations lapse at year end.

NOTE 2 - POOLED CASH AND INVESTMENTS

Alta Municipal Utilities (AMU) and Alta Municipal Broadband Communications Utility (The Communications Utility) 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, 2014, 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 ensure there will be no loss of public funds.

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 cash held for debt redemption is required by covenants of debt resolutions and will be released to unrestricted funds upon pay-off of the related debt.

At December 31, 2014, 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 \$165,045. 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 2 - POOLED CASH AND 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.

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. Cash 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 the entities.

Custodial Credit Risk - For cash deposits held by financial institutions and cash held by jointly-owned entities for the benefit of AMU, there is a risk that in the event of failure of the bank or jointly-owned entity, cash deposits may not be returned. All cash deposits held by banks are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. However, those portions of cash deposits held by jointly-owned entities are not held in the name of AMU and may be subject to additional risk in the event one of these entities fails.

NOTE 3 - DUE FROM THE CITY OF ALTA

In prior years, AMU made payments from the electric utility on behalf of the City totaling \$273,716 for the construction of a new fire station. Of this amount, \$125,858 is to be repaid by the City in annual payments of \$25,372 including interest. Interest will be applied to the outstanding obligation at a rate of 0.318% per annum.

Remaining future annual amounts receivable for the loan are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 25,291	\$ 81	\$ 25,372

NOTE 4 - LAND HELD FOR ECONOMIC DEVELOPMENT

In 2005, AMU and the City of Alta jointly invested in land for the purpose of developing residential lots to be held for sale. AMU's half of original invested cost capitalized was \$117,500. Carrying costs are minimal and expensed as incurred. When lots were sold, each entity received half of the net proceeds. The last remaining lot was sold during 2014.

NOTE 5 - 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	\$ 1,971,297	\$ 31,401	\$ -	\$ 2,002,698
Transmission system	882,051	-	11,643	870,408
Distribution	2,727,502	96,452	132	2,823,822
Buildings and improvements	860,571	1,991,813	-	2,852,384
Equipment	<u>989,916</u>	<u>15,166</u>	<u>132</u>	<u>1,004,950</u>
Total cost	7,431,337	2,134,832	11,907	9,554,262
Accumulated depreciation	<u>(3,264,491)</u>	<u>(250,915)</u>	<u>(11,907)</u>	<u>(3,503,499)</u>
Cost net	4,166,846	1,883,917	-	6,050,763
Capital assets not being depreciated -				
Land	70,913	-	-	70,913
Construction in progress	<u>1,933,281</u>	<u>-</u>	<u>1,933,281</u>	<u>-</u>
Total capital assets, net	<u>\$ 6,171,040</u>	<u>\$ 1,883,917</u>	<u>\$ 1,933,281</u>	<u>\$ 6,121,676</u>

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE

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 which were originally issued 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 notes mature serially from December 1, 2011 through December 1, 2021, with interest at various rates from 0.75 to 3.40 percent per annum payable semiannually at June 1 and December 1.

Series 2013 Electric Revenue Refunding Capital Loan Notes were issued in September 2013 by the electric utility in the original amount of \$875,000. The notes provided funds to advance refund the 2005 Electric Revenue Capital Refunding Bonds. The notes mature serially from December 1, 2014 through December 1, 2019, with interest at 2.00 percent per annum payable semiannually at June 1 and December 1.

Series 2013 Water Revenue Capital Loan Notes were issued in December 2013 by the water utility with principal advances of \$1,847,895. The maximum loan amount allowed is \$1,916,000 with additional advances available during 2015. The notes provided funds for the new water plant constructed during 2013 and early 2014. The notes mature serially from June 1, 2014 through June 1, 2033, with interest at 1.75 percent per annum and a service fee of 0.25 percent per annum payable semiannually at June 1 and December 1.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

Changes in debt outstanding for the year are as follows:

	Balances Beginning of Year	Increases	Decreases	Balances End of Year
2011 Electric revenue refunding capital loan notes	\$ 890,000	\$ -	\$ (105,000)	\$ 785,000
2013 Electric revenue refunding capital loan notes	875,000		(140,000)	735,000
2013 Water revenue capital loan notes	-	1,857,475	(79,000)	1,778,475
Subtotals	<u>\$ 1,765,000</u>	<u>\$ 1,857,475</u>	<u>\$ (324,000)</u>	<u>\$ 3,298,475</u>
Current installment				(330,000)
Unamortized discount				(9,278)
				<u>\$ 2,959,197</u>

Future maturities of debt principal and interest are as follows:

Years Ending December 31,	Electric Series 2011 Notes		Electric Series 2013 Notes		Total Electric	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 110,000	\$ 21,872	\$ 140,000	\$ 14,700	\$ 250,000	\$36,572
2016	110,000	19,727	145,000	11,900	255,000	31,627
2017	105,000	17,198	150,000	9,000	255,000	26,198
2018	110,000	14,520	155,000	6,000	265,000	20,520
2019	115,000	11,440	145,000	2,900	260,000	14,340
2020-2024	235,000	11,955	-	-	235,000	11,955
Totals	<u>\$ 785,000</u>	<u>\$ 96,712</u>	<u>\$ 735,000</u>	<u>\$ 44,500</u>	<u>\$ 1,520,000</u>	<u>\$ 141,212</u>

Years Ending December 31,	Water Series 2013 Notes		Grand Total	
	Principal	Interest	Principal	Interest
2015	\$ 80,000	\$ 32,139	\$ 330,000	\$ 68,711
2016	82,000	30,030	337,000	61,657
2017	84,000	28,577	339,000	54,775
2018	85,000	27,099	350,000	47,619
2019	87,000	25,594	347,000	39,934
2020-2024	462,000	104,248	697,000	116,203
2025-2029	510,000	61,775	510,000	61,775
2030-2033	388,475	15,846	388,475	15,846
Totals	<u>\$ 1,778,475</u>	<u>\$ 325,308</u>	<u>\$ 3,298,475</u>	<u>\$ 466,520</u>

NOTE 6 - 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 electric enterprise activity and the bondholders hold a lien on the future earnings of the activity.
- B. Sufficient monthly transfers shall be made to the Bond Sinking Account for the purpose of making the bond principal and interest payments when due. These accounts are fully funded for the electric notes but the water notes are underfunded by \$49,461.
- C. Establishment of a separate Bond Reserve Account into which monthly deposits of 25% of sinking fund deposits, shall be made until a maximum annual amount of principal and interest coming due on the notes and parity obligations which calculate to a combined total of \$209,000. This account is fully funded.
- D. Additional monthly transfers 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 7 - PAYMENT TO THE CITY

AMU provides electricity, water and other services to the City of Alta. An amount approximately equal to these charges 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.

NOTE 8 - COMPENSATED ABSENCES

AMU employees are entitled to accumulate a limited amount of earned but unused vacation hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements represent the amount due for the hours accumulated at the employees' December 31, 2014 rate of compensation.

NOTE 9 - 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 5.95% of their annual covered salary through December 31, 2014, and AMU is required to contribute 8.93% through December 31, 2014, of annual covered payroll. Contribution requirements are established by state statute. AMU required contributions to IPERS for the years ended December 31, 2014, 2013 and 2012, were \$24,591, \$22,857 and \$21,085, respectively.

NOTE 10 - 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 businesses or residents. New customers are required to pay a utility deposit if they do not have an acceptable line of credit. 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 no provision for doubtful collections is necessary.

NOTE 11 - 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 12 - 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 13 - COMMITMENTS

Other Post-Employment Benefits (OPEB) -

As required by state law, AMU offers health insurance to former employees who have retired after age 55, but have not yet reached Medicare eligibility. The fully insured plan is part of the plan offered to all AMU employees, whereby the retirees must pay the full cost of a health insurance premium equal to that charged by current employees. There are currently six active employees, none of which are retired, covered by the plan. Management has determined that current and potential future cost exposures to this requirement is minimal and has not recorded any liability for this employment benefit.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2015, 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.

SUPPLEMENTARY INFORMATION

ALTA MUNICIPAL UTILITIES

**SCHEDULE OF ACTUAL TO BUDGET COMPARISON -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Actual	Original and Final Budget Amounts	Actual to Budget Variance
RESOURCES			
Taxes assessed	\$ 6,370		
Use of money and property	1,608		
Charges for service	2,146,923		
Debt proceeds	1,857,475		
Other revenue	16,676		
Total resources	4,029,052	\$ 3,852,600	\$ 176,452
EXPENDITURES			
Business type activities -			
Operating expenses	1,713,075		
Non operating expenses	2,561		
Debt service -			
Debt principal payments	324,000		
Interest payments	76,164		
Capital outlay	201,551		
Payment to City	42,000		
Total expenditures	2,359,351	3,753,284	1,393,933
Excess (deficiency) of resources over expenditures	1,669,701	\$ 99,316	\$ 1,570,385
RECONCILE ACTUAL ON BUDGET BASIS TO FINANCIAL STATEMENTS:			
Add back (deduct) -			
Capital outlay	201,551		
Debt proceeds	(1,857,475)		
Debt principal payments	324,000		
Sub-total	337,777		
Total net position, beginning of year	3,665,412		
Total net position, end of year	\$ 4,003,189		

ALTA MUNICIPAL UTILITIES

NOTES TO SUPPLEMENTARY BUDGET INFORMATION

In accordance with the Code of Iowa, the governing Board of Trustees annually adopts a budget following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenses, known as functions, not by fund or fund type. One of these classes of expenses is business-type activities under which the functional expenditures for enterprise funds are required to be budgeted. Although the budget document presents functional expenses by fund, the legal level of control is at the aggregated functional level, not by fund. That is, Alta Municipal Utilities' prepares its budget as a proprietary enterprise fund and controls its expenditures at the aggregate total of electric and water funds combined.

The actual amounts shown on the accompanying budget comparison schedule are shown on the same basis on which the budget was prepared. The schedule includes a reconciliation between reported amounts and acquisition or disposal of capital assets reported differently for financial statement and budget purposes.

ALTA MUNICIPAL UTILITIES
SCHEDULE OF EXPENSES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric Utility Fund	Water Utility Fund	Total
PURCHASED POWER	\$ 554,567	\$ -	\$ 554,567
LOCAL PLANT OPERATIONS:			
Wages and benefits	\$ 27,560	\$ 37,153	\$ 64,713
Supplies and chemicals	17,850	36,592	54,442
Utilities	7,380	43,909	51,289
Fuel and oil	8,953	971	9,924
Other expenses	11,328	12,945	24,273
Total local plant operations	<u>\$ 73,071</u>	<u>\$ 131,570</u>	<u>\$ 204,641</u>
GENERATING EXPENSE - WALTER SCOTT 4:			
Generation operation/maintenance	\$ 84,513	\$ -	\$ 84,513
Transmission operation/maintenance	449	-	449
Fuel	112,898	-	112,898
Other expenses	17,958	-	17,958
Total generating expense	<u>\$ 215,818</u>	<u>\$ -</u>	<u>\$ 215,818</u>
DISTRIBUTION MAINTENANCE EXPENSES:			
Wages and benefits	\$ 70,602	\$ 41,969	\$ 112,571
Testing and supplies	18,163	24,304	42,467
Other expenses	3,528	2,618	6,146
Total distribution maintenance expenses	<u>\$ 92,293</u>	<u>\$ 68,891</u>	<u>\$ 161,184</u>
ADMINISTRATIVE AND GENERAL EXPENSES:			
Wages and benefits	\$ 97,364	\$ 56,939	\$ 154,303
Office supplies and postage	4,482	4,544	9,026
Insurance - employees	43,879	29,497	73,376
Insurance - general	11,979	12,246	24,225
Professional fees	8,776	20,305	29,081
Dues and subscriptions	3,861	579	4,440
Advertising	1,010	1,387	2,397
Meetings and travel	1,676	507	2,183
Technical support	1,413	1,413	2,826
Telephone	1,802	1,246	3,048
Bad debts	1,056	1,669	2,725
Other expenses	5,689	2,259	7,948
Total administrative and general expenses	<u>\$ 182,987</u>	<u>\$ 132,591</u>	<u>\$ 315,578</u>

ALTA MUNICIPAL UTILITIES
SCHEDULE OF EXPENSES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric Utility Fund	Water Utility Fund	Total
ECONOMIC DEVELOPMENT ENERGY CONSERVATION:			
Economic development	\$ 1,801	\$ 119	\$ 1,920
Energy conservation and efficiency	8,451	-	8,451
Total economic development energy conservation	<u>\$ 10,252</u>	<u>\$ 119</u>	<u>\$ 10,371</u>
DEPRECIATION			
Depreciation	<u>\$ 151,811</u>	<u>\$ 99,105</u>	<u>\$ 250,916</u>

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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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*

INDEPENDENT AUDITORS' REPORT

Alta Municipal Utilities
Alta, Iowa

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated May 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

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 a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Those deficiencies are described in the accompanying schedule of findings and responses in Part II, Items II-A-14, Segregation of Duties, and II-B-14, Financial Reporting.

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, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses in Part III, Items III-G-14, Trustee Minutes, and III-I-14, Revenue Bonds and Notes.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended December 31, 2014, 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.

Auditee Response to Findings

The Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Utilities responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

May 26, 2015
Omaha, Nebraska

ALTA MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

- (a) Unmodified opinions were issued on the basic financial statements.
- (b) The audit did not disclose any noncompliance which could have a material effect on the basic financial statement amounts.
- (c) No material weaknesses in internal control were identified. Significant deficiencies were noted and included in our report on internal control.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Instances of Non-Compliance:

See Part III, Item III-G-14 Trustee Minutes and Item III-I-14, Revenue Bonds and Notes.

Internal Control Deficiencies:

II-A-14 **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. This deficiency increases the chances of a misstatement in the financial statements or misappropriation of assets occurring and not being detected. 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 utilizing currently available staff, including elected officials.

Response Corrective Action Planned - Management of the Utilities will continue to cross-train office employees in an attempt to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among several employees and the Board of Trustees will also start reviewing and tracing all deposits to cash receipts journal posting. We plan to implement these changes as soon as practicable. This problem may never be one hundred percent alleviated due to the limited number of employees to perform the duties.

Conclusion - Response accepted.

II-B-14 **Financial Reporting** - While management is capable of assembling accurate financial information sufficient for the trustees to rely on to make operating decisions, they do not possess the skills necessary to report the financial information in the form of financial statements, and the related disclosures notes thereto, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued):

Internal Control Deficiencies: (Continued)

Recommendation - Management should improve their knowledge of U.S. GAAP by attending local or online professional educational courses and investing time to read relevant accounting literature. In addition, attendance at certain education seminars sponsored by the Auditor of the State of Iowa could be beneficial.

Response - The trustee's primary intent is to employ individuals whose knowledge relates directly to utility operations. Steps will be taken to help employees increase their knowledge and understanding of relevant accounting principles to improve overall financial reporting.

Conclusion - Response accepted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-14 **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, 2014.

III-B-14 **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. The Utilities' budgeted expenses were not exceeded.

III-C-14 **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-14 **Travel Expenses** - No disbursement of the Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

III-E-14 **Business Transactions** - Business transactions between the Utilities and Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

III-F-14 **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-14 **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.

Recommendation - The Utility should comply with requirements to include total receipts in the published minutes.

Response - We will make an effort to comply with the requirements and will publish total receipts required information.

Conclusion - Response accepted.

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

III-H-14 **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-14 **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, 2014, were noted. The water capital loan note was not in compliance with the requirement to establish and fund a sinking fund.

Recommendation - The utility should establish and fund the sinking fund as required by the loan covenants.

Response - We will comply with the requirements to establish and fund the sinking fund.

Conclusion - Response accepted.