



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

April 2, 2004

The Honorable Chester Culver
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit:

Senate File 2187, an Act relating to municipal utilities that provide local exchange services, including the confidentiality and audits of certain accounting records, the allocation of the cost of use of city resources, and exemption from sales and use taxes.

The above Senate File is hereby approved this date.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas J. Vilsack".

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House





SENATE FILE 2187

AN ACT

RELATING TO MUNICIPAL UTILITIES THAT PROVIDE LOCAL EXCHANGE SERVICES, INCLUDING THE CONFIDENTIALITY AND AUDITS OF CERTAIN ACCOUNTING RECORDS, THE ALLOCATION OF THE COST OF USE OF CITY RESOURCES, AND EXEMPTION FROM SALES AND USE TAXES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 11.6, subsection 1, paragraph a, unnumbered paragraph 1, Code 2003, is amended to read as follows:

The financial condition and transactions of all cities and city offices, counties, county hospitals organized under chapters 347 and 347A, memorial hospitals organized under chapter 37, entities organized under chapter 28E having gross receipts in excess of one hundred thousand dollars in a fiscal year, merged areas, area education agencies, and all school offices in school districts, shall be examined at least once each year, except that cities having a population of seven hundred or more but less than two thousand shall be examined at least once every four years, and cities having a population of less than seven hundred may be examined as otherwise provided in this section. The examination shall cover the fiscal year next preceding the year in which the audit is conducted. The examination of school offices shall include an audit of all school funds, the certified annual financial report, and the certified enrollment as provided in section 257.6. Differences in certified enrollment shall be reported to the department of management. The examination of a city

that owns or operates a municipal utility providing local exchange services pursuant to chapter 476 shall include an audit of the city's compliance with section 388.10.

Sec. 2. Section 388.10, subsection 2, paragraph a, Code 2003, is amended to read as follows:

a. Prepare and maintain records which record the full cost accounting of providing local exchange service. The records shall show the amount and source of capital for initial construction or acquisition of the local exchange system or facilities. These records shall be public records subject to the requirements of chapter 22. Information in the records that is not subject to examination or copying as provided in section 388.9, subsection 2, may be expunged from the records prior to public disclosure. This section shall not prohibit a municipal utility from utilizing capital from any lawful source, provided that the reasonable cost of such capital is accounted for as a cost of providing the service. In accounting for the cost of use of any city employees, facilities, equipment, or services, a city or municipal utility may make a reasonable allocation of the cost of use of any city employees, facilities, equipment, or services used by a municipal utility providing telecommunications service based upon reasonable criteria for the distribution of the cost of use in any manner which is not inconsistent with generally accepted accounting principles.

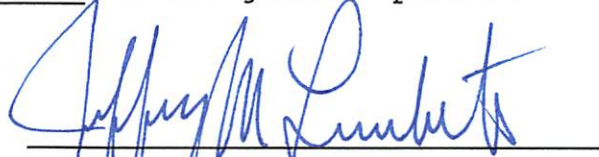
Sec. 3. Section 388.10, subsection 2, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. Make an annual certification of compliance with this section. For any year in which the city or municipal utility is not audited in accordance with section 11.6, the city or municipal utility shall contract with or employ the auditor of state or a certified public accountant certified in the state of Iowa to attest to the certification. The attestation report shall be a public record for purposes of chapter 22.

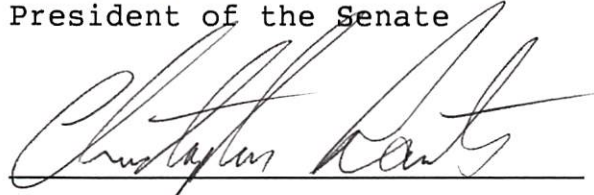
Sec. 4. Section 423.3, subsection 31, paragraph a, as enacted by 2003 Iowa Acts, First Extraordinary Session, chapter 2, section 96, is amended to read as follows:

a. The sales price of goods, wares, or merchandise sold to, or of services furnished, and used by or in connection

with the operation of any municipally owned public utility engaged in selling gas, electricity, heat, or pay television service, or communication service to the general public.



JEFFREY M. LAMBERTI
President of the Senate



CHRISTOPHER C. RANTS
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2187, Eightieth General Assembly.



MICHAEL E. MARSHALL
Secretary of the Senate

Approved April 2, 2004



THOMAS J. VILSACK
Governor