

Withdrawn
3/24/04

MAR 4 2004
WAYS AND MEANS

HOUSE FILE 2448
BY COMMITTEE ON COMMERCE,
REGULATION AND LABOR

(SUCCESSOR TO HSB 583)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to municipal utilities that provide local
2 exchange services the confidentiality and audits of certain
3 accounting records, and exemption from sales and use taxes.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2448

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

4 The financial condition and transactions of all cities and
5 city offices, counties, county hospitals organized under
6 chapters 347 and 347A, memorial hospitals organized under
7 chapter 37, entities organized under chapter 28E having gross
8 receipts in excess of one hundred thousand dollars in a fiscal
9 year, merged areas, area education agencies, and all school
10 offices in school districts, shall be examined at least once
11 each year, except that cities having a population of seven
12 hundred or more but less than two thousand shall be examined
13 at least once every four years, and cities having a population
14 of less than seven hundred may be examined as otherwise
15 provided in this section. The examination shall cover the
16 fiscal year next preceding the year in which the audit is
17 conducted. The examination of school offices shall include an
18 audit of all school funds, the certified annual financial
19 report, and the certified enrollment as provided in section
20 257.6. Differences in certified enrollment shall be reported
21 to the department of management. The examination of a city
22 that owns or operates a municipal utility providing local
23 exchange services pursuant to chapter 476 shall include an
24 audit of the city's compliance with section 388.10.

25 Sec. 2. Section 388.10, subsection 2, paragraph a, Code
26 2003, is amended to read as follows:

27 a. Prepare and maintain records which record the full cost
28 accounting of providing local exchange service. The records
29 shall show the amount and source of capital for initial
30 construction or acquisition of the local exchange system or
31 facilities. These records shall be public records subject to
32 the requirements of chapter 22. Information in the records
33 that is not subject to examination or copying as provided in
34 section 388.9, subsection 2, may be expunged from the records
35 prior to public disclosure. This section shall not prohibit a

1 municipal utility from utilizing capital from any lawful
2 source, provided that the reasonable cost of such capital is
3 accounted for as a cost of providing the service. In
4 accounting for the cost of use of any city employees,
5 facilities, equipment, or services, a city or municipal
6 utility may make a reasonable allocation of the cost of use of
7 any city employees, facilities, equipment, or services used by
8 a municipal utility providing telecommunications service based
9 upon reasonable criteria for the distribution of the cost of
10 use in any manner which is not inconsistent with generally
11 accepted accounting principles.

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

14 NEW PARAGRAPH. d. Make an annual certification of
15 compliance with this section. For any year for which the city
16 or municipal utility is not audited in accordance with section
17 11.6, the city or municipal utility shall contract with or
18 employ the auditor of state or a certified public accountant
19 certified in the state of Iowa to attest to the certification.
20 The attestation report shall be a public record for purposes
21 of chapter 22.

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

25 a. The sales price of goods, wares, or merchandise sold
26 to, or of services furnished, and used by or in connection
27 with the operation of any municipally owned public utility
28 engaged in selling gas, electricity, heat, or pay television
29 service, or communication service to the general public.

30 EXPLANATION

31 This bill relates to municipal utilities that provide local
32 exchange or communication services.

33 Under the bill, a city that owns or operates a municipal
34 utility that is audited pursuant to Code section 11.6 must
35 include an audit of compliance with the requirements of Code

1 section 388.10. The bill makes certain accounting records
2 maintained for the municipal utility providing local exchange
3 service public records and requires an annual audit to be
4 performed by the auditor of state or a certified public
5 accountant. The bill provides that a city or municipal
6 utility may allocate the cost of use of city resources by a
7 municipal utility providing telecommunications service
8 consistent with generally accepted accounting principles.

9 The bill provides that sales and services sold to or used
10 by or in connection with the operation of municipally owned
11 public utilities that are engaged in selling communication
12 service to the public are not exempt from sales and use taxes.

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KURTENBACH, CH
SANDS
QUIRK

HSB 583
COMMERCE, REGULATION & LABOR

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE, REGULATION
AND LABOR BILL BY
CHAIRPERSON JENKINS)

SL
SF 02448

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to municipal utilities that provide local
2 exchange services, including nonsubscriber costs, the
3 confidentiality and audits of certain accounting records, and
4 exemption from sales and use taxes.

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

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1 Section 1. Section 388.10, subsection 1, paragraph a, Code
2 2003, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (5) Require nonsubscribers of the local
4 exchange services to pay any costs directly associated with
5 providing local exchange services.

6 Sec. 2. Section 388.10, subsection 2, paragraph a, Code
7 2003, is amended to read as follows:

8 a. Prepare and maintain records which record the full cost
9 accounting of providing local exchange service. The records
10 shall show the amount and source of capital for initial
11 construction or acquisition of the local exchange system or
12 facilities. Notwithstanding section 388.9, these records
13 shall be public records for purposes of chapter 22. This
14 section shall not prohibit a municipal utility from utilizing
15 capital from any lawful source, provided that the reasonable
16 cost of such capital is accounted for as a cost of providing
17 the service.

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

20 NEW PARAGRAPH. d. Conduct an annual audit certifying
21 compliance with this section. The audit shall be performed by
22 the auditor of state or by a certified public accountant
23 certified in the state of Iowa. The annual audit shall be a
24 public record for purposes of chapter 22.

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

28 a. The sales price of goods, wares, or merchandise sold
29 to, or of services furnished, and used by or in connection
30 with the operation of any municipally owned public utility
31 engaged in selling gas, electricity, heat, or pay television
32 service, or communication service to the general public.

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EXPLANATION

34 This bill relates to municipal utilities that provide local
35 exchange or communication services.

1 **The bill prohibits municipal utilities from requiring**
 2 nonsubscribers of the municipal utility's local exchange
 3 service to pay any direct costs of providing the local
 4 exchange services. The bill makes certain accounting records
 5 maintained for the municipal utility providing local exchange
 6 service public records and requires an annual audit to be
 7 performed by the auditor of state or a certified public
 8 accountant.

9 The bill provides that sales and services sold to or used
 10 by or in connection with the operation of municipally owned
 11 public utilities that are engaged in selling communication
 12 service to the public are not exempt from sales and use taxes.

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