CITY OF ALTA VISTA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

TABLE OF CONTENTS

		Page
Officials		4
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-13
Basic Financial Statements:	Exhibit	
Government-wide Financial Statement:		
Statement of Activities and Net Assets - Cash Basis	A	15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16
Proprietary Fund Financial Statement :		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-22
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental and Proprietary Funds		24
Notes to Required Supplementary Information - Budgetary Reporting		25
Other Supplementary Information:	Schedule	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Fund	1	27
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	2	28
Schedule of Indebtedness	3	29

TABLE OF CONTENTS (continued)

	Schedule	Page
Bond and Note Maturities	4	30
Schedule of Expenditures of Federal Awards	5	31
Independent Auditor's 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		32-33
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		34-35
Schedule of Findings		36-40

CITY OF ALTA VISTA

OFFICIALS

Name	Title	Term Expires
Gerald Pickar	Mayor	Jan. 2006
Linda Kobliska	Mayor Pro tem	Jan. 2008
Judith Gebel	Council Member	Jan. 2006
Lavern Cerminske	Council Member	Jan. 2006
Anna Mae Hubka	Council Member	Jan. 2008
Richard Miller	Council Member	Jan. 2006
Crystal Kobliska	Clerk/Treasurer	Indefinite
Mark Anderson	Attorney	Indefinite

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Alta Vista, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Alta Vista's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances of the governmental and proprietary funds at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balances of the governmental and proprietary funds at July 1, 2004, as discussed in the preceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position

of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Alta Vista as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2006 on our consideration of the City of Alta Vista's 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 internal control over financial reporting or 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alta Vista's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

January 9, 2006

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Alta Vista provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements which follow. However, keep in mind that Chapter 11 of the Code of Iowa does not require the City to have an annual audit due to our population being less than 700. Therefore, any financial information presented herein for the fiscal year ended June 30, 2004 has not been audited.

2005 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 139%, or approximately $ 228,000 from fiscal 2004 to fiscal 2005. Note proceeds increased $ 75,000 and government grants increased approximately $ 170,000. Property taxes actually decreased approximately $ 8,000.

Disbursements increased 408%, or approximately $ 383,000, in fiscal 2005 from fiscal 2004. Public safety, public works and capital projects disbursements increased $ 17,000, $ 11,000 and $ 360,000 respectively.

The City's total cash basis net assets decreased 3.3% or approximately $ 13,000. Of this amount, the assets of the governmental activities decreased approximately $ 14,000 and the assets of the business-type activities increased by approximately $ 1,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business-type Activities include the sanitary sewer system, the electric utility, the waterworks and cable television.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax and Road Use Tax and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the sewer, electric, water and cable funds. The sewer and electric funds are considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago, decreasing from $ 152,000 to $ 138,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year Ending June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	$ 33	32
Operating grants and contributions	17	17
Capital grants and contributions	211	39
General receipts:		
Property tax	36	44
Local option sales tax	17	15
Grants not restricted to specific purpose	-	2
Unrestricted investment earnings	3	14
Note proceeds	75	-
Other general receipts	-	1
Transfers, net	71	9
Total receipts and transfers	463	173
Disbursements:		
Public safety	22	5
Public works	36	25
Health and social services	1	1
Culture and recreation	30	38
General government	29	25
Capital projects	359	-
Total disbursements	477	94
Increase (decrease) in cash basis net assets	(14)	79
Cash basis net assets beginning of year	152	73
Cash basis net assets end of year	$ 138	152

The City's total receipts for governmental activities increased by 139% or $ 228,000. The total cost of all programs increased by approximately $ 383,000 or 408%. The significant increases in receipts and disbursements was due to the remodeling of the municipal hall in fiscal 2005. The City received USDA grant funds of approximately $ 115,000 and note proceeds of $ 75,000 in connection with the hall project. Nearly $ 360,000 was spent on the renovation project in fiscal 2005.

The City decreased property tax rates for 2005 by an average of over 15%. This decrease, dropped the City's property tax receipts by approximately $ 8,000. Based on a 1.8% increase in the average rate and increases in the total assessed valuation, property tax receipts are budgeted to increase by nearly $ 3,000 next year.

The cost of all governmental activities this year was $ 477,000 compared to $ 94,000 last year. However, as shown in the Statement of Activities on page 15 , the amount taxpayers ultimately financed for these activities was only $ 217,000 because some of the cost was paid by those directly benefited from the programs ($ 33,000) or by other governments and organizations that subsidized certain programs with grants and contributions ($ 227,000). Overall the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2005 from approximately $ 131,000 to approximately $ 261,000, principally due to receiving grant proceeds to complete the municipal hall renovation project. The City paid for the remaining "public benefit" portion of governmental activities with approximately $ 202,000 in tax (some of which could only be used for certain programs) and with other receipts, such as note proceeds, transfers and interest.

Changes in Cash Basis Net Assets of Business-Type Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Electric	$ 170	137
Sewer	26	20
Water	18	18
Cable	7	7
Capital grants and contributions	399	43
General receipts:		
Unrestricted interest on investments	1	1
Note proceeds	242	-
Other general receipts	2	1
Total receipts	865	227
Disbursements and transfers:		
Electric	125	105
Sewer	628	131
Water	30	30
Cable	10	10
Transfers	71	9
Total disbursements and transfers	864	285
Increase (decrease) in cash balances	1	(58)
Cash basis net assets beginning of year	234	292
Cash basis net assets end of year	$ 235	234

Total business-type activities receipts for the fiscal year were $ 865,000 compared to $ 227,000 last year. The significant increase was due primarily to the receipt of $ 242,000 in sewer construction revenue note proceeds and the receipt of $ 399,000 in capital grants. The cash balance increased by approximately $ 1,000. Total disbursements and transfers for the fiscal year increased by 203% to a total of $ 864,000 due to the near completion of the sewer plant project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alta Vista completed the year, its governmental funds reported a combined fund balance of $ 137,933, a decrease of nearly $ 14,000 less than last year's total of $ 151,812. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased $ 24,087 from the prior year to $ 29,870. Approximately $ 7,000 of this decrease was due to a decrease in property tax receipts. Another $ 12,000 of the decrease was due to an increase in public safety disbursements.

The Local Option Sales Tax Fund cash balance increased by $ 17,080 to $ 92,073 during the fiscal year. This increase was attributable to the $ 17,000 from the local option sales tax received this fiscal year, none of which was spent.

The Municipal Hall Fund was established to account for the renovation of the municipal hall. During the year the Fund received $ 95,357 in donations, $ 115,373 from a United States Department of Agriculture Community Facilities Grant, $ 75,000 in general obligation note proceeds and a $ 71,455 Electric Fund transfer. Construction costs totaled $ 359,562 during the fiscal year. The Fund had a remaining cash balance of $ 431 at June 30, 2005.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Sewer Fund cash balance increased by $ 40,317 to $ 42,275 due to the unspent portion of $ 242,000 in revenue note proceeds.

The Electric Fund cash balance decreased by $ 25,052 to $ 182,853 due primarily to a $ 71,455 transfer to the Municipal Hall Fund for construction expenses.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year. The amendment was approved on June 6, 2005 and resulted in an increase in disbursements of $ 1,112,300. This was to account for disbursements for the municipal hall and sewer plant renovation projects. The City received donations, grants and note proceeds to absorb these unbudgeted costs.

DEBT ADMINISTRATION

At June 30, 2005 the City had $ 317,000 in notes outstanding, compared to none the year before.

Debt increased as a result of issuing a revenue note of $ 242,000 for a sewer plant construction project and issuing a $ 75,000 general obligation note for the municipal hall renovation project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $ 75,000 is significantly below its constitutional debt limit of $ 182,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Alta Vista's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. County unemployment rates have run higher than state rates as New Hampton is still recovering from the closing of Sara Lee. Inflation is again becoming a factor as the National Consumer Price Index showed an increase of 3.01 percent for fiscal 2005 compared to the 10-year average increase of 2.46 percent.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are $ 328,000, a decrease of 75% under the final 2005 budget. This decrease is primarily due to the completion of both capital projects in 2005, which accounts for the large decrease in intergovernmental revenues (grants) and note proceeds. Property taxes are budgeted to increase by only $ 2,000. Budgeted disbursements for 2006 are set at $ 323,000, a $ 1,202,000 decrease from the final 2005 budget. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City budgeted cash balance is expected to increase by approximately $ 5,000 by the close of 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Crystal Kobliska, City Clerk, P.O. Box 115, Alta Vista, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF ALTA VISTA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2005

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	$ 21,644	3,623	0	0	(18,021)	0	(18,021)
Public works	35,873	16,585	13,362	0	(5,926)	0	(5,926)
Health and social services	590	0	0	0	(590)	0	(590)
Culture and recreation	30,056	11,128	0	0	(18,928)	0	(18,928)
General government	29,523	1,298	3,244	0	(24,979)	0	(24,979)
Capital projects	359,562	0	0	210,732	(148,830)	0	(148,830)
Total governmental activities	477,246	32,634	16,606	210,732	(217,274)	0	(217,274)
Business type activities:							
Electric	124,778	169,657	0	0	0	44,879	44,879
Sewer	628,004	25,946	0	398,880	0	(203,178)	(203,178)
Water	30,174	18,264	0	0	0	(11,910)	(11,910)
Cable	10,225	7,541	0	0	0	(2,684)	(2,684)
Total business type activities	793,181	221,408	0	398,880	0	(172,893)	(172,893)
Total	$ 1,270,427	254,042	16,606	609,612	(217,274)	(172,893)	(390,167)
General Receipts:							
Property tax levied for general purposes					36,469	0	36,469
Local option sales tax					16,537	0	16,537
Grants not restricted to specific purpose					359	0	359
Unrestricted interest on investments					3,495	1,611	5,106
Note proceeds					75,000	242,000	317,000
Miscellaneous					80	1,770	1,850
Transfers					71,455	(71,455)	0
Total general receipts and transfers					203,395	173,926	377,321
Change in cash basis net assets					(13,879)	1,033	(12,846)
Cash basis net assets beginning of year					151,812	234,280	386,092
					$ 137,933	235,313	373,246
Cash Basis Net Assets							
Restricted:							
Streets					$ 15,559	0	15,559
Sewer					92,073	0	92,073
Unrestricted					30,301	235,313	265,614
Total cash basis net assets					$ 137,933	235,313	373,246

See notes to financial statements.

Exhibit B

CITY OF ALTA VISTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2005

	General	Special Revenue Local Option Sales Tax	Capital Projects Municipal Hall	Other Nonmajor Governmental Fund	Total
Receipts:					
Property tax	$ 36,469	0	0	0	36,469
Other city tax	0	16,537	0	0	16,537
Licenses and permits	1,298	0	0	0	1,298
Use of money and property	3,852	543	2	0	4,397
Intergovernmental	17,154	0	115,373	22,055	154,582
Charges for service	7,892	0	0	0	7,892
Miscellaneous	380	0	95,357	0	95,737
Total receipts	67,045	17,080	210,732	22,055	316,912
Disbursements:					
Operating:					
Public safety	21,644	0	0	0	21,644
Public works	9,321	0	0	26,552	35,873
Health and social services	590	0	0	0	590
Culture and recreation	30,056	0	0	0	30,056
General government	29,521	0	0	0	29,521
Capital projects	0	0	359,562	0	359,562
Total disbursements	91,132	0	359,562	26,552	477,246
Excess (deficiency) of receipts over (under) disbursements	(24,087)	17,080	(148,830)	(4,497)	(160,334)
Other financing sources (uses):					
Note proceeds	0	0	75,000	0	75,000
Operating transfers in	0	0	71,455	0	71,455
Total other financing sources	0	0	146,455	0	146,455
Net change in cash balances	(24,087)	17,080	(2,375)	(4,497)	(13,879)
Cash balances beginning of year	53,957	74,993	2,806	20,056	151,812
Cash balances end of year	$ 29,870	92,073	431	15,559	137,933
Cash Basis Fund Balances					
Unreserved:					
General Fund	$ 29,870	0	0	0	29,870
Special revenue funds	0	92,073	0	15,559	107,632
Capital projects fund	0	0	431	0	431
Total cash basis fund balances	$ 29,870	92,073	431	15,559	137,933

See notes to financial statements.

Exhibit C

CITY OF ALTA VISTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2005

	Enterprise Funds		Other Nonmajor Proprietary Funds	Total
	Sewer	Electric		
Operating receipts:				
Use of money and property	$ 1,420	0	0	1,420
Charges for service	25,946	169,657	25,805	221,408
Miscellaneous	75	101	174	350
Total operating receipts	27,441	169,758	25,979	223,178
Operating disbursements:				
Business type activities	628,004	124,778	40,399	793,181
Excess (deficiency)of operating receipts over (under) operating disbursements	(600,563)	44,980	(14,420)	(570,003)
Non-operating receipts:				
Intergovernmental	398,880	0	0	398,880
Interest on investments	0	1,423	188	1,611
Revenue note proceeds	242,000	0	0	242,000
Total non-operating receipts	640,880	1,423	188	642,491
Excess (deficiency) of receipts over (under) disbursements	40,317	46,403	(14,232)	72,488
Operating transfers out	0	(71,455)	0	(71,455)
Net change in cash balances	40,317	(25,052)	(14,232)	1,033
Cash balances beginning of year	1,958	207,905	24,417	234,280
Cash balances end of year	$ 42,275	182,853	10,185	235,313
Cash Basis Fund Balances Unreserved	$ 42,275	182,853	10,185	235,313

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Alta Vista is a political subdivision of the State of Iowa located in Chickasaw County. It was first incorporated in 1894 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric and cable television utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Alta Vista has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions and organizations: Chickasaw County Assessor's Conference Board, Chickasaw County Emergency Management Commission, and Chickasaw County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net assets are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All remaining enterprise funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other fund.

Special Revenue

The Local Option Sales Tax Fund is used to account for all sales tax revenue received by the City. Voters in the City have allocated local option sales tax receipts to be used for sewer construction and maintenance.

Capital Projects

The Municipal Hall Fund is used to account for receipts and disbursements on the municipal hall renovation project.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation, maintenance and construction of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Alta Vista maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded amounts budgeted in the general government and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were 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.

The City is 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 at federally insured depository institutions approved by the City Council; 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 a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City has invested $ 81,901 in time certificates of deposit whose maturities range from 3 to 321 days at June 30, 2005.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending	General Obligation Notes		Revenue Notes		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 75,000	4,125	-	10,285	75,000	14,410
2007	-	-	-	10,285	-	10,285
2008	-	-	2,665	10,285	2,665	10,285
2009	-	-	2,778	10,172	2,778	10,172
2010	-	-	2,896	10,054	2,896	10,054
2011-2015	-	-	16,436	48,314	16,436	48,314
2016-2020	-	-	20,238	44,512	20,238	44,512
2021-2025	-	-	24,920	39,830	24,920	39,830
2026-2030	-	-	30,685	34,065	30,685	34,065
2031-2035	-	-	37,784	26,966	37,784	26,966
2036-2040	-	-	46,525	18,225	46,525	18,225
2041-2045	-	-	57,073	7,677	57,073	7,677
Total	$ 75,000	4,125	242,000	270,670	317,000	274,795

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

(a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.

(b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making note principal and interest payments when due.

(c) Additional monthly transfers of $ 108 to a sewer revenue reserve account within the Enterprise Funds shall be made until a balance of $ 12,950 is accumulated. This account shall be restricted for the purpose of paying for any additional improvements, extensions or repairs to the system or for note and interest payments which the other accounts might be unable to make.

(4) Pension and Retirement Benefits

The City 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 members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was $ 2,440, equal to the required contribution for the year.

(5) Interfund Transfers

The detail of interfund transfers is as follows:

Transfer to	Transfer from	Amount
Capital Projects:	Enterprise:	
Municipal Hall	Electric	$ 71,455

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(6) Related Party Transactions

The City had business transactions between the City and City officials totaling $ 984 during the year ended June 30, 2005.

(7) Risk Management

The City 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 are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in the fiscal year ended June 30, 2005.

(8) Commitments

In May 2005, the City entered into a construction contract for $ 25,035 for a street project to be financed from road use tax funds.

(9) Deficit Fund Balances

The Enterprise, Cable Fund had a deficit balance of $ 3,148 at June 30, 2005. The deficit balance was a result of increased costs of programming. The deficit will be eliminated with an increase in cable fees.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTA VISTA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts Original	Budgeted Amounts Total	Final to Total Variance
Receipts:						
Property tax	$ 36,469	0	36,469	37,369	37,369	(900)
Other city tax	16,537	0	16,537	20,103	20,103	(3,566)
Licenses and permits	1,298	0	1,298	1,200	1,200	98
Use of money and property	4,397	3,031	7,428	2,500	2,500	4,928
Intergovernmental	154,582	398,880	553,462	31,200	996,136	(442,674)
Charges for service	7,892	221,408	229,300	212,000	212,000	17,300
Miscellaneous	95,737	350	96,087	0	95,357	730
Total receipts	316,912	623,669	940,581	304,372	1,364,665	(424,084)
Disbursements:						
Public safety	21,644	0	21,644	19,700	23,000	1,356
Public works	35,873	0	35,873	34,735	37,735	1,862
Health and social services	590	0	590	597	597	7
Culture and recreation	30,056	0	30,056	80,000	430,000	399,944
General government	29,521	0	29,521	23,600	28,600	(921)
Capital projects	359,562	0	359,562	0	0	(359,562)
Business type activities	0	793,181	793,181	254,050	1,005,050	211,869
Total disbursements	477,246	793,181	1,270,427	412,682	1,524,982	254,555
Deficiency of receipts under disbursements	(160,334)	(169,512)	(329,846)	(108,310)	(160,317)	(169,529)
Other financing sources, net	146,455	170,545	317,000	0	75,000	242,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(13,879)	1,033	(12,846)	(108,310)	(85,317)	72,471
Balances beginning of year	151,812	234,280	386,092	256,468	256,468	129,624
Balances end of year	$ 137,933	235,313	373,246	148,158	171,151	202,095

See accompanying independent auditor's report.

CITY OF ALTA VISTA
Notes to Required Supplementary Information - Budgetary Information
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $ 1,112,300. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the general government and capital projects functions.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF ALTA VISTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUND
As of and for the Year Ended June 30, 2005

	Special Revenue
	Road Use Tax
Receipts:	
Intergovernmental	$ 22,055
Disbursements:	
Public works	26,552
Net change in cash balance	(4,497)
Cash balance beginning of year	20,056
Cash balance end of year	$ 15,559
Cash Basis Fund Balance	
Unreserved:	
Special revenue fund	$ 15,559

See accompanying independent auditor's report.

Schedule 2

CITY OF ALTA VISTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2005

	Enterprise Funds		
	Cable	Water	Total
Operating receipts:			
Charges for service	$ 7,541	18,264	25,805
Miscellaneous	37	137	174
Total operating receipts	7,578	18,401	25,979
Operating disbursements:			
Business type activities	10,225	30,174	40,399
Deficiency of operating receipts under operating disbursements	(2,647)	(11,773)	(14,420)
Non-operating receipts:			
Interest on investments	0	188	188
Net change in cash balances	(2,647)	(11,585)	(14,232)
Cash balances beginning of year	(501)	24,918	24,417
Cash balances end of year	$ (3,148)	13,333	10,185
Cash Basis Fund Balances			
Unreserved	$ (3,148)	13,333	10,185

See accompanying independent auditor's report.

Schedule 3

CITY OF ALTA VISTA
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation note:									
Community hall improvements	Dec. 15, 2004	5.50%	$ 75,000	0	75,000	0	75,000	0	0
Revenue note :									
Sewer plant	May 12, 2005	4.25%	$ 242,000	0	242,000	0	242,000	1,409	0

See accompanying independent auditor's report.

CITY OF ALTA VISTA
BOND AND NOTE MATURITIES
June 30, 2005

Year Ending June 30,	General Obligation Note Community Hall Improvements Issued Dec. 15, 2004 Interest Rates	Amount	Revenue Note Sewer Plant Issued May 12, 2005 Interest Rates	Amount
2006	5.50%	$ 75,000	4.25%	$ -
2007		-	4.25	-
2008		-	4.25	2,665
2009		-	4.25	2,778
2010		-	4.25	2,896
2011		-	4.25	3,019
2012		-	4.25	3,148
2013		-	4.25	3,282
2014		-	4.25	3,421
2015		-	4.25	3,566
2016		-	4.25	3,718
2017		-	4.25	3,876
2018		-	4.25	4,041
2019		-	4.25	4,212
2020		-	4.25	4,391
2021		-	4.25	4,578
2022		-	4.25	4,773
2023		-	4.25	4,975
2024		-	4.25	5,187
2025		-	4.25	5,407
2026		-	4.25	5,637
2027		-	4.25	5,877
2028		-	4.25	6,126
2029		-	4.25	6,387
2030		-	4.25	6,658
2031		-	4.25	6,941
2032		-	4.25	7,236
2033		-	4.25	7,544
2034		-	4.25	7,864
2035		-	4.25	8,199
2036		-	4.25	8,547
2037		-	4.25	8,910
2038		-	4.25	9,289
2039		-	4.25	9,684
2040		-	4.25	10,095
2041		-	4.25	10,524
2042		-	4.25	10,972
2043		-	4.25	11,438
2044		-	4.25	11,924
2045		-	4.25	12,215
Total		$ 75,000		$ 242,000

See accompanying independent auditor's report.

CITY OF ALTA VISTA
SCHEDULE OF EXPENDITURES OF FEDERAL GRANTS
Year Ended June 30, 2005

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760	-	$ 374,067
Community Facilities Loans - Grants	10.766		115,373
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	01-WS-007	192,701
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Hazard Mitigation Grant	97.039	-	3,244
Total			$ 685,385

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Alta Vista and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See accompanying independent auditor's report.

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's 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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Alta Vist, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 9, 2006. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, because we were not able to satisfy ourselves as to the distribution by fund of the total fund balance of the governmental and proprietary funds at July 1, 2004. Except as previously discussed, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alta Vista's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the City of Alta Vista's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition (II-A-05) described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alta Vista's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained during our audit of the financial statements of the City. 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Alta Vista and other parties to whom the City of Alta Vista may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alta Vista during the course of our audit. Should you have any questions regarding any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 9, 2006

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Alta Vista, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The City of Alta Vista's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Alta Vista's management. Our responsibility is to express an opinion on the City of Alta Vista's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Alta Vista's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Alta Vista's compliance with those requirements.

In our opinion, the City of Alta Vista complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Alta Vista is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Alta Vista's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Alta Vista and other parties to whom the City of Alta Vista may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa

January 9, 2006

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172393

CITY OF ALTA VISTA
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I : Summary of the Independent Auditor's Results:

a) A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles; because we were not able to satisfy ourselves as to the distribution by fund of the total fund balances of the governmental and proprietary funds at July 1, 2004.

b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, and that reportable condition was a material weakness.

c) The audit did not disclose any noncompliance which is material to the financial statements.

d) No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.

e) An unqualified opinion was issued on compliance with requirements applicable to the major program.

f) The audit disclosed no findings that are required to be reported in accordance with Section .510(a) of Circular A-133.

g) The major program was CFDA Number 10.760-Water and Waste Disposal Systems for Rural Communities.

h) The dollar theshold used to distinguish between Type A and Type B programs was $ 300,000.

i) The City of Alta Vista did not qualify as a low-risk auditee.

CITY OF ALTA VISTA
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part II : Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. One individual at the City has custody of receipts, has the ability to prepare and sign checks, and performs all record keeping and reconciliation functions for all bank and investment accounts.

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

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize elected city officials whenever possible to provide additional control through review of financial transactions and reports.

CITY OF ALTA VISTA
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part III : Findings for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

CITY OF ALTA VISTA
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part IV : Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories - A resolution naming First Citizens National Bank as an official depository has not been approved by the City and amounts on deposit exceeded FDIC insurance amounts during the year ended June 30, 2005.

Recommendation - Chapter 12C.2 of the Code of Iowa requires the City, by written resolution, to name each depository approved and specify the maximum amount which may be kept on deposit at each depository.

Response - We will do this.

Conclusion - Response accepted.

IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded budgeted amounts in the general government and capital projects functions. 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.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - We did amend our budget June 6, 2005, however increases were not sufficent to cover disbursements in two categories. We will try to amend properly in the future.

Conclusion - Response accepted.

IV-C-05 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense- No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 Business Transactions - Business transactions between City and City official or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Richard Miller, Council Member, Owner of R&M Auto Body	Repairs	$ 82
Melissa Pickar, Wife of Mayor, Owner of The Corner	Fuel	902

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member and the Mayor's Wife do not appear to represent conflicts of interest since total transactions with each individual were less than $ 2,500 during the fiscal year.

IV-F-05 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-05 Deposits and Investments - Except as noted in item IV-A-05, no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-05 Revenue Notes - The City has complied with the revenue note resolution.

IV-J-05 Telecommunication Services - No instances of noncompliance with Chapter 388.10 of the Code of Iowa were noted.

IV-K-05 Financial Condition - The Enterprise, Cable Fund had a deficit balance at June 30, 2005 of $ 3,148.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - We hope to eliminate this deficit with an increase in rates.

Conclusion - Response accepted.