

CITY OF ALTA
INDEPENDENT AUDITOR'S REPORTS
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

CITY OF ALTA

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JUNE 30, 2008

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CITY OF ALTA
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2008)		
Tom French	Mayor	January, 2008
Molly Elston	Council Member	January, 2008
Bruce Frederick	Council Member	January, 2008
Mike Holton	Council Member	January, 2008
Pam Henderson	Council Member	January, 2010
Brian Walsh	Council Member	January, 2010
Thomas M. Huseman	Clerk/Finance Officer	Indefinite
John Murray	Attorney	Indefinite
(After January, 2008)		
Tom French	Mayor	January, 2010
Pam Henderson	Council Member	January, 2010
Brian Walsh	Council Member	January, 2010
Molly Elston	Council Member	January, 2012
Jim Heschke	Council Member	January, 2012
Mike Holton	Council Member	January, 2012
Thomas M. Huseman	Clerk/Finance Officer	Indefinite
John Murray	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Alta, Iowa

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 City of Alta, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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 balance at July 1, 2007.

The financial statements referred to above include only the primary government of City of Alta, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of City of Alta, Iowa, as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America..

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 balance at July 1, 2007, as discussed in the preceding 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 for the primary government of the City of Alta, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2008, on our consideration of City of Alta's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Budgetary comparison information on pages 18 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain 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.

City of Alta, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information included in Schedules 1 through 4 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.

October 13, 2008



CITY OF ALTA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A

	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	\$ 259,415	\$ 6,200	\$ 29,042	\$ 145,021	\$ (79,152)	\$ -	\$ (79,152)
Public works	165,800	5,046	226,284	149,466	214,996	-	214,996
Culture and recreation	150,945	16,496	24,742	-	(109,707)	-	(109,707)
Community and economic development	39,126	-	-	-	(39,126)	-	(39,126)
General government	175,498	8,766	-	-	(166,732)	-	(166,732)
Debt service	115,801	-	-	-	(115,801)	-	(115,801)
Capital projects	722,351	-	-	-	(722,351)	-	(722,351)
Total governmental activities	<u>1,628,936</u>	<u>36,508</u>	<u>280,068</u>	<u>294,487</u>	<u>(1,017,873)</u>	<u>-</u>	<u>(1,017,873)</u>
Business type activities							
Sewer	92,410	89,489	-	-	-	(2,921)	(2,921)
Solid waste	91,332	132,973	-	-	-	41,641	41,641
Community building	56,660	61,349	-	-	-	4,689	4,689
Total business type activities	<u>240,402</u>	<u>283,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,409</u>	<u>43,409</u>
Total	<u>\$ 1,869,338</u>	<u>\$ 320,319</u>	<u>\$ 280,068</u>	<u>\$ 294,487</u>	<u>(1,017,873)</u>	<u>43,409</u>	<u>(974,464)</u>
General Receipts:							
Property tax levied for:							
General purposes					241,112	-	241,112
Tax increment financing					76,280	-	76,280
Debt service					16,900	-	16,900
Local option sales tax					153,643	-	153,643
Unrestricted interest on investments					20,710	-	20,710
Reimbursement from utility					250,000	-	250,000
Miscellaneous					6,428	-	6,428
Total general receipts					<u>765,073</u>	<u>-</u>	<u>765,073</u>
Change in cash basis net assets					(252,800)	43,409	(209,391)
Cash basis net assets beginning of year					773,471	129,868	903,339
Cash basis net assets end of year					<u>\$ 520,671</u>	<u>\$173,277</u>	<u>\$ 693,948</u>

(Continued)

CITY OF ALTA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A
(Continued)

<u>Disbursements</u>	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash Basis Net Assets						
Restricted:						
Streets				\$ 93,668	\$ -	\$ 93,668
Urban renewal purposes				10,507	-	10,507
Debt service				(359)	-	(359)
Other purposes				115,358	-	115,358
Unrestricted				301,497	173,277	474,774
Total cash basis net assets				\$ 520,671	\$173,277	\$ 693,948

See notes to financial statements.

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

	<u>General</u>	<u>Special Revenue</u>			<u>Non-major</u>	<u>Total</u>
		<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Capital Projects</u>		
Receipts:						
Property tax	\$ 239,786	\$ -	\$ -	\$ -	\$ 16,813	\$ 256,599
Tax increment financing	-	-	-	-	76,280	76,280
Other city tax	1,326	-	153,643	-	87	155,056
Licenses and permits	12,882	-	-	-	-	12,882
Use of money and property	21,348	-	-	-	168	21,516
Intergovernmental	29,932	159,780	-	144,419	-	334,131
Charges for service	18,065	-	-	-	-	18,065
Miscellaneous	486,560	-	-	5,047	10,000	501,607
Total receipts	<u>809,899</u>	<u>159,780</u>	<u>153,643</u>	<u>149,466</u>	<u>103,348</u>	<u>1,376,136</u>
Disbursements:						
Operating:						
Public safety	259,415	-	-	-	-	259,415
Public works	26	165,774	-	-	-	165,800
Culture and recreation	150,945	-	-	-	-	150,945
Community and economic development	-	39,126	-	-	-	39,126
General government	175,498	-	-	-	-	175,498
Debt service	-	-	-	-	115,801	115,801
Capital projects	-	-	-	722,351	-	722,351
Total disbursements	<u>585,884</u>	<u>204,900</u>	<u>-</u>	<u>722,351</u>	<u>115,801</u>	<u>1,628,936</u>
Excess (deficiency) of receipts over disbursements	<u>224,015</u>	<u>(45,120)</u>	<u>153,643</u>	<u>(572,885)</u>	<u>(12,453)</u>	<u>(252,800)</u>
Other financing sources (uses):						
Transfers in	268,059	-	-	197,921	30,000	495,980
Transfers out	-	-	(483,810)	-	(12,170)	(495,980)
Total other financing sources (uses)	<u>268,059</u>	<u>-</u>	<u>(483,810)</u>	<u>197,921</u>	<u>17,830</u>	<u>-</u>
Net change in cash balances	492,074	(45,120)	(330,167)	(374,964)	5,377	(252,800)
Cash balances beginning of year	<u>(20,745)</u>	<u>138,788</u>	<u>330,167</u>	<u>305,132</u>	<u>20,129</u>	<u>773,471</u>
Cash balances end of year	<u>\$ 471,329</u>	<u>\$ 93,668</u>	<u>\$ -</u>	<u>\$ (69,832)</u>	<u>\$ 25,506</u>	<u>\$ 520,671</u>

(Continued)

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B
 (Continued)

	<u>Special Revenue</u>					<u>Total</u>
	<u>General</u>	Road <u>Use</u>	Local Option Sales <u>Tax</u>	Capital <u>Projects</u>	<u>Non-major</u>	
Cash Basis Fund Balances:						
Unreserved:						
General fund	\$ 471,329	\$ -	\$ -	\$ -	\$ -	\$ 471,329
Special revenue funds	-	93,668	-	-	20,513	114,181
Debt service	-	-	-	-	(359)	(359)
Capital project fund	-	-	-	(69,832)	-	(69,832)
Permanent fund	-	-	-	-	5,352	5,352
Total cash basis fund balances	<u>\$ 471,329</u>	<u>\$ 93,668</u>	<u>\$ -</u>	<u>\$ (69,832)</u>	<u>\$ 25,506</u>	<u>\$ 520,671</u>

See notes to financial statements.

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Community Building</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ -	\$ -	\$ 20,473	\$ 20,473
Charges for service	89,489	132,973	-	222,462
Miscellaneous	-	-	40,876	40,876
Total operating receipts	<u>89,489</u>	<u>132,973</u>	<u>61,349</u>	<u>283,811</u>
 Operating disbursements:				
Business type activities	<u>92,410</u>	<u>91,332</u>	<u>56,660</u>	<u>240,402</u>
 Net change in cash balances	(2,921)	41,641	4,689	43,409
 Cash balances beginning of year	<u>68,098</u>	<u>23,216</u>	<u>38,554</u>	<u>129,868</u>
 Cash balances end of year	<u>\$ 65,177</u>	<u>\$ 64,857</u>	<u>\$ 43,243</u>	<u>\$ 173,277</u>
 Cash Basis Fund Balances				
Unreserved	<u>\$ 65,177</u>	<u>\$ 64,857</u>	<u>\$ 43,243</u>	<u>\$ 173,277</u>

See notes to financial statements.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies

City of Alta is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1878 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 safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, City of Alta 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.

These financial statements present the City of Alta (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Alta Municipal Utilities was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a five member board appointed by the Mayor and approved by the City Council. The Utility's operating budget is subject to the approval of the City Council. Complete financial statements of the individual component unit, which will issue separate financial statements, can be obtained from the Utility administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Joint Disaster Services Commission, Buena Vista County E911 Service Board, and Buena Vista County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary 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.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

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

Restricted net assets result when constraints placed on net asset use 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 non-major governmental 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 funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for capital improvements and property tax relief.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection activities.

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

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Community Building fund accounts for the operation and maintenance of the City's Community building.

C. Measurement Focus and Basis of Accounting

The City of Alta 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.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, and debt service functions.

2. Cash

The City's deposits in banks at June 30, 2008 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, as amended by Statement No. 40.

Interest rate risk - The City'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) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and tax increment financing revenue bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Tax Increment Financing (TIF) Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,000	\$12,750	\$ 44,129	\$ 2,271	\$ 74,129	\$ 15,021
2010	30,000	11,580	-	-	30,000	11,580
2011	30,000	10,395	-	-	30,000	10,395
2012	35,000	9,195	-	-	35,000	9,195
2013	35,000	7,778	-	-	35,000	7,778
2014-2017	<u>150,000</u>	<u>16,372</u>	-	-	<u>150,000</u>	<u>16,372</u>
Total	<u>\$310,000</u>	<u>\$68,070</u>	<u>\$ 44,129</u>	<u>\$ 2,271</u>	<u>\$354,129</u>	<u>\$70,341</u>

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out the urban renewal projects of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City. For the current year, principal and interest paid was \$68,542 and total TIF receipts were \$76,280.

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.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$24,677 equal to the required contribution for the year.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$10,067</u>

The liability has been computed based on rates of pay as of June 30, 2008.

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$268,059
Debt Service	Special Revenue: Local Option Sales Tax	30,000
Capital Projects	Special Revenue: Local Option Sales Tax Nonmajor governmental	185,751 <u>12,170</u> <u>197,921</u>
Total		<u>\$495,980</u>

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

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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Deficit Balance

The Capital Projects Fund had a deficit balance of \$69,832 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated by transfers from other funds and the sale of residential lots.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. Landfill Agreement

The City participates in an agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to that commission totaled \$53,909 during the year ended June 30, 2008.

Buena Vista County has guaranteed closure and post closure costs of the landfill as per Chapter 567-113.14(6f) of the Iowa Administrative Code. The landfill was closed on September 30, 2007 and the total costs have been estimated at approximately \$138,225 and \$895,500, respectively as of June 30, 2007, which is the latest information available.

10. Contracts and Commitments

The City has entered into the following contract which was not completed as of June 30, 2008:

	Total Contract <u>Amount</u>	Amount Paid As of <u>6/30/08</u>	Remaining Commitment As of <u>6/30/08</u>
NE 1 st Street Project	\$ 369,874	\$ 361,749	\$ 8,125
2008 Infrastructure Improvement	323,957	-	323,657
Engineering	50,875	23,625	27,250

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Total
	Actual	Actual				Variance
Receipts:						
Property tax	\$ 256,599	\$ -	\$ 256,599	\$ 254,191	\$ 254,191	\$ 2,408
Tax increment financing collections	76,280	-	76,280	74,000	74,000	2,280
Other city tax	155,056	-	155,056	136,413	136,413	18,643
Licenses and permits	12,882	-	12,882	8,807	8,807	4,075
Use of money and property	21,516	20,473	41,989	32,510	282,510	(240,521)
Intergovernmental	334,131	-	334,131	176,906	176,906	157,225
Charges for service	18,065	222,462	240,527	225,025	225,025	15,502
Miscellaneous	501,607	40,876	542,483	100,770	200,770	341,713
Total receipts	<u>1,376,136</u>	<u>283,811</u>	<u>1,659,947</u>	<u>1,008,622</u>	<u>1,358,622</u>	<u>301,325</u>
Disbursements:						
Public safety	259,415	-	259,415	237,460	252,460	(6,955)
Public works	165,800	-	165,800	174,945	174,945	9,145
Culture and recreation	150,945	-	150,945	141,047	141,047	(9,898)
Community and economic development	39,126	-	39,126	31,140	36,140	(2,986)
General government	175,498	-	175,498	119,241	179,241	3,743
Debt service	115,801	-	115,801	90,772	90,772	(25,029)
Capital projects	722,351	-	722,351	30,000	780,000	57,649
Business type activities	-	240,402	240,402	250,811	250,811	10,409
Total disbursements	<u>1,628,936</u>	<u>240,402</u>	<u>1,869,338</u>	<u>1,075,416</u>	<u>1,905,416</u>	<u>36,078</u>
Excess (deficiency) of receipts over disbursements	(252,800)	43,409	(209,391)	(66,794)	(546,794)	337,403
Balances, beginning of year	<u>773,471</u>	<u>129,868</u>	<u>903,339</u>	<u>430,345</u>	<u>1,150,345</u>	<u>(247,006)</u>
Balances, end of year	<u>\$ 520,671</u>	<u>\$ 173,277</u>	<u>\$ 693,948</u>	<u>\$ 363,551</u>	<u>\$ 603,551</u>	<u>\$ 90,397</u>

See accompanying independent auditor's report.

CITY OF ALTA
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2008

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 nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the 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 \$830,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALTA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1

	<u>Special Revenue</u>			<u>Debt</u>	<u>Permanent</u>	<u>Total</u>
	<u>T.I.F.</u>	<u>Forfeiture</u>	<u>Library</u>	<u>Service</u>	<u>Library</u>	
Receipts:						
Property taxes	\$ -	\$ -	\$ -	\$ 16,813	\$ -	\$ 16,813
Tax increment financing	76,280	-	-	-	-	76,280
Other city tax	-	-	-	87	-	87
Use of money and property	-	-	-	-	168	168
Miscellaneous	-	-	10,000	-	-	10,000
Total receipts	<u>76,280</u>	<u>-</u>	<u>10,000</u>	<u>16,900</u>	<u>168</u>	<u>103,348</u>
Disbursements:						
Debt service	68,542	-	-	47,259	-	115,801
Total disbursements	<u>68,542</u>	<u>-</u>	<u>-</u>	<u>47,259</u>	<u>-</u>	<u>115,801</u>
Excess (deficiency) of receipts over disbursements	<u>7,738</u>	<u>-</u>	<u>10,000</u>	<u>(30,359)</u>	<u>168</u>	<u>(12,453)</u>
Other financing sources (uses):						
Transfers in	-	-	-	30,000	-	30,000
Transfers out	(12,170)	-	-	-	-	(12,170)
Total other financing sources (uses)	<u>(12,170)</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>17,830</u>
Net change in cash balances	(4,432)	-	10,000	(359)	168	5,377
Cash balances beginning of year	<u>14,939</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>5,184</u>	<u>20,129</u>
Cash balances end of year	<u>\$ 10,507</u>	<u>\$ 6</u>	<u>\$ 10,000</u>	<u>\$ (359)</u>	<u>\$ 5,352</u>	<u>\$ 25,506</u>
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 10,507	\$ 6	\$ 10,000	\$ -	\$ -	\$ 20,513
Debt service funds	-	-	-	(359)	-	(359)
Permanent fund	-	-	-	-	5,352	5,352
Total cash basis fund balances	<u>\$ 10,507</u>	<u>\$ 6</u>	<u>\$ 10,000</u>	<u>\$ (359)</u>	<u>\$ 5,352</u>	<u>\$ 25,506</u>

See accompanying independent auditor's report.

CITY OF ALTA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Bonds:									
Corporate purpose	March 15, 2007	3.90-4.30%	<u>\$ 340,000</u>	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 310,000</u>	<u>\$ 16,859</u>	<u>\$ -</u>
Urban renewal tax increment financing (TIF) revenue bonds:									
Gull Wing	December 11, 1995	7.00%	\$ 19,500	\$ 4,062	\$ -	\$ 4,062	\$ -	\$ -	\$ -
West Links	July 1, 1996	7.00%	38,000	3,744	-	3,744	-	134	-
Melanders	November 25, 1997	6.00%	26,000	1,205	-	1,205	-	42	-
Alta Investors, L.C.	December 31, 1999	7.25%	<u>280,000</u>	<u>97,372</u>	<u>-</u>	<u>53,243</u>	<u>44,129</u>	<u>6,112</u>	<u>-</u>
			<u>\$ 363,500</u>	<u>\$ 106,383</u>	<u>\$ -</u>	<u>\$ 62,254</u>	<u>\$ 44,129</u>	<u>\$ 6,288</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF ALTA
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
AGENCY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Schedule 4

	<u>Summer</u> <u>Baseball</u> <u>Program</u>	<u>Benefits</u> <u>Account</u>	<u>Trees</u> <u>Forever</u>	<u>Horizons</u>	<u>Alta</u> <u>Foundation</u>	<u>Total</u>
Receipts	\$ 43,210	\$ 11,460	\$ 2,773	\$ 1,500	\$ -	\$ 58,943
Disbursements	<u>39,804</u>	<u>10,956</u>	<u>3,565</u>	<u>280</u>	<u>13</u>	<u>54,618</u>
Net change in cash balances	3,406	504	(792)	1,220	(13)	4,325
Cash balances beginning of year	<u>28,692</u>	<u>324</u>	<u>1,223</u>	<u>-</u>	<u>849</u>	<u>31,088</u>
Cash balances end of year	<u>\$ 32,098</u>	<u>\$ 828</u>	<u>\$ 431</u>	<u>\$ 1,220</u>	<u>\$ 836</u>	<u>\$ 35,413</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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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
Alta, Iowa

We have audited the primary government financial statements of City of Alta, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. Our report on the financial statements, which were prepared in conformity with another comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, 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 City of Alta's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Alta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Alta's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Alta's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Alta's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies describe above, we believe items I-A-08, I-B-08, I-C-08, and I-D-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed 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.

City of Alta's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit City of Alta's responses and, accordingly, we express no opinion on them.

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

October 13, 2008



City of Alta

Schedule of Findings

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

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 - Due to limited office personnel, segregation of duties is difficult. Thorough review of the financial reports will be done monthly. We will try to achieve segregation of duties by associating duties with the office employees of the municipal utility.

Conclusion - Response accepted.

I-B-08 Community Building Concessions - Because of the large volume of cash transactions and the lack of control over receipts in the concessions income, it is very difficult to determine the accuracy of this income.

Recommendations - The City should review this situation and closely monitor the activity at the community building to determine that approved procedures are being followed and that adequate control over this operation is maintained.

Response - We will attempt to closely monitor the activity to determine that approved procedures are being followed. We will continue to periodically take inventory and check it against revenue to allow for better control.

Conclusion - Response accepted.

I-C-08 Fire Department Funds - The Fire Department currently maintain separate bank accounts which are not included in the City's financial records. This is not separate non-profit corporation, but is a department which was established by City ordinance. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

City of Alta

Schedule of Findings

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements: - (Continued)

I-C-08 Fire Department Funds - (Continued)

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted and properly supported by adequate documentation of public purpose.

Response - We agree the fire department funds should be included in the City financial records and we will consult the fire membership to achieve that goal.

Conclusion - Response accepted.

I-D-08 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The elected officials will attempt to read relevant accounting literature and attend professional education courses to improve ability to apply accounting principles.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the public safety, culture and recreation, community and economic development, and debt service 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 the budget.

City of Alta

Schedule of Findings

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting: - (Continued)

II-A-08 Certified Budget - (Continued)

Response - A budget amendment was made during the fiscal year 2008 but expenditures exceeded that final amendment. A special effort will be made to see that the City of Alta is in compliance with Chapter 384.20 of the Code of Iowa in the future.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-E-08 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.

II-F-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-G-08 Financial Condition - At June 30, 2007, the City had deficit balances in the Capital Projects and Debt Service funds of \$69,832, and \$358, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - As lots are sold, the Capital Projects fund balance will no longer have a deficit balance. The \$358 deficit in Debt Service will be gone in the short term as property tax receipts are collected.

Conclusion - Response accepted.

City of Alta

Schedule of Findings

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting: - (Continued)

II-H-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We will contact the bank and request that we receive both front and back images of cancelled checks.

Conclusion - Response accepted.