

CITY OF ALTA

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

JUNE 30, 2015

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CITY OF ALTA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Neulieb	Mayor	January, 2016
Ron Chapman	Council Member	January, 2016
Molly Elston	Council Member	January, 2016
Rob Hach	Council Member	January, 2016
Pam Henderson	Council Member	January, 2018
Lee Meyer	Council Member	January, 2018
Megan Peterson	Clerk/Finance Officer	Indefinite
John Murray	Attorney	Indefinite

HUNZELMAN, PUTZIER & Co., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
STEVE C. CAMPBELL, C.P.A.  
RICHARD R. MOORE, C.P.A. (RETIRED)  
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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Alta, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

### *Basis for Adverse Opinion on the Discretely Presented Component Unit*

The financial statements do not include financial data for one of the City's discretely presented component units because the Alta Municipal Utilities reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Alta as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, 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 City of Alta, Iowa as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Alta adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Alta, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the period ending June 30, 2012 (which are not presented herein), and expressed qualified opinions on those financial statements since we were unable to verify the distribution of total fund balance as of July 1, 2011 and which were prepared on the basis of cash receipts and disbursements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for two years ended June 30, 2014 (which are not presented herein), and expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information.

The other information, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 23-27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2016 on our consideration of City of Alta, Iowa's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alta, Iowa's internal control over financial reporting and compliance.

*Hunzelman, Putzier & Co., PLLC*

March 5, 2016

CITY OF ALTA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 324,756	\$ 5,845	\$ 67,788	\$ -	\$ (251,123)	\$ -	\$ (251,123)	\$ -
Public works	231,071	44,437	195,799	-	9,165	-	9,165	-
Culture and recreation	255,432	61,151	53,919	-	(140,362)	-	(140,362)	-
Community and economic development	48,059	-	-	-	(48,059)	-	(48,059)	-
General government	141,531	-	-	-	(141,531)	-	(141,531)	-
Debt service	63,071	-	-	-	(63,071)	-	(63,071)	-
Capital projects	476,912	-	-	169,382	(307,530)	-	(307,530)	-
Total governmental activities	<u>1,540,832</u>	<u>111,433</u>	<u>317,506</u>	<u>169,382</u>	<u>(942,511)</u>	<u>-</u>	<u>(942,511)</u>	<u>-</u>
Business type activities:								
Sewer	329,175	264,907	-	-	-	(64,268)	(64,268)	-
Solid Waste	149,096	178,777	-	-	-	29,681	29,681	-
Total business type activities	<u>478,271</u>	<u>443,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,587)</u>	<u>(34,587)</u>	<u>-</u>
Total	<u>\$ 2,019,103</u>	<u>\$ 555,117</u>	<u>\$ 317,506</u>	<u>\$ 169,382</u>	<u>(942,511)</u>	<u>(34,587)</u>	<u>(977,098)</u>	<u>-</u>
Component Unit:								
Alta Firemen's Association	<u>\$ 105,642</u>	<u>\$ -</u>	<u>\$ 26,078</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,564)</u>
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					395,484	-	395,484	-
Debt service					43,596	-	43,596	-
Tax increment financing					12,642	-	12,642	-
Local option sales tax					186,031	-	186,031	-
Unrestricted interest on investments					598	-	598	-
Loan Proceeds					200,000	-	200,000	-
Special assessments					9,473	-	9,473	-
Miscellaneous					56,321	-	56,321	-
Total general receipts and transfers					<u>904,145</u>	<u>-</u>	<u>904,145</u>	<u>-</u>
Change in cash basis net position					(38,366)	(34,587)	(72,953)	(79,564)
Cash basis net position beginning of year					<u>201,169</u>	<u>532,696</u>	<u>733,865</u>	<u>130,084</u>
Cash basis net position end of year					<u>\$ 162,803</u>	<u>\$ 498,109</u>	<u>\$ 660,912</u>	<u>\$ 50,520</u>

(continued)

CITY OF ALTA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A  
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Cash Basis Net Position								
Restricted:								
Nonexpendable:								
Library				\$ 5,030	\$ -	\$ 5,030		\$ -
Expendable:								
Tax increment financing projects				50,488	-	50,488		-
Debt service				85,362	-	85,362		-
Other purposes				3,746	-	3,746		-
Unrestricted				<u>18,177</u>	<u>498,109</u>	<u>516,286</u>		<u>50,520</u>
Total cash basis net position				<u>\$ 162,803</u>	<u>\$ 498,109</u>	<u>\$ 660,912</u>		<u>\$ 50,520</u>

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, 2015

Exhibit B

	Special Revenue							Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects	Non-major	
Receipts:								
Property tax	\$ 395,484	\$ -	\$ -	\$ -	\$ 43,596	\$ -	\$ -	\$ 439,080
Tax increment financing	-	-	-	12,642	-	-	-	12,642
Other city tax	-	-	186,031	-	-	-	-	186,031
Licenses and permits	8,972	-	-	-	-	-	-	8,972
Use of money and property	33,161	-	-	-	-	-	-	33,161
Intergovernmental	10,435	195,799	-	-	-	163,133	-	369,367
Charges for service	164,450	-	-	-	-	-	-	164,450
Special assessments	9,473	-	-	-	-	-	-	9,473
Miscellaneous	46,253	-	-	-	-	33,037	-	79,290
Total receipts	<u>668,228</u>	<u>195,799</u>	<u>186,031</u>	<u>12,642</u>	<u>43,596</u>	<u>196,170</u>	<u>-</u>	<u>1,302,466</u>
Disbursements:								
Operating:								
Public safety	324,756	-	-	-	-	-	-	324,756
Public works	2,827	228,244	-	-	-	-	-	231,071
Culture and recreation	254,902	-	-	-	-	-	530	255,432
Community and economic development	-	48,059	-	-	-	-	-	48,059
General government	141,531	-	-	-	-	-	-	141,531
Debt service	-	-	-	-	40,390	22,681	-	63,071
Capital Projects	-	-	61,189	-	-	415,723	-	476,912
Total disbursements	<u>724,016</u>	<u>276,303</u>	<u>61,189</u>	<u>-</u>	<u>40,390</u>	<u>438,404</u>	<u>530</u>	<u>1,540,832</u>
Excess (deficiency) of receipts over disbursements	<u>(55,788)</u>	<u>(80,504)</u>	<u>124,842</u>	<u>12,642</u>	<u>3,206</u>	<u>(242,234)</u>	<u>(530)</u>	<u>(238,366)</u>
Other financing sources (uses):								
Loan proceeds	-	-	-	-	-	200,000	-	200,000
Operating transfers in	105,657	-	-	-	-	31,827	-	137,484
Operating transfers out	-	-	(124,842)	(12,642)	-	-	-	(137,484)
Total other financing sources (uses)	<u>105,657</u>	<u>-</u>	<u>(124,842)</u>	<u>(12,642)</u>	<u>-</u>	<u>231,827</u>	<u>-</u>	<u>200,000</u>
Net change in cash balances	49,869	(80,504)	-	-	3,206	(10,407)	(530)	(38,366)
Cash balances beginning of year	540,512	(398,758)	-	50,488	82,156	(82,535)	9,306	201,169
Cash balances end of year	<u>\$ 590,381</u>	<u>\$ (479,262)</u>	<u>\$ -</u>	<u>\$ 50,488</u>	<u>\$ 85,362</u>	<u>\$ (92,942)</u>	<u>\$ 8,776</u>	<u>\$ 162,803</u>

CITY OF ALTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B  
(continued)

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects	
Cash Basis Fund Balances							
Nonspendable - Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,030
Restricted for:							
Debt service	-	-	-	-	85,362	-	85,362
Tax increment financing projects	-	-	-	50,488	-	-	50,488
Other purposes	-	-	-	-	-	3,746	3,746
Unassigned	590,381	(479,262)	-	-	-	(92,942)	18,177
Total cash basis fund balances	\$ 590,381	\$ (479,262)	\$ -	\$ 50,488	\$ 85,362	\$ (92,942)	\$ 8,776

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, 2015

Exhibit C

	<u>Enterprise</u>		
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 264,907	\$ 178,777	\$ 443,684
Operating disbursements:			
Business type activities	<u>176,943</u>	<u>149,096</u>	<u>326,039</u>
Excess of operating receipts over operating disbursements	87,964	29,681	117,645
Non-operating disbursements:			
Debt service	<u>(152,232)</u>	<u>-</u>	<u>(152,232)</u>
Net change in cash balances	(64,268)	29,681	(34,587)
Cash balances beginning of year	<u>379,994</u>	<u>152,702</u>	<u>532,696</u>
Cash balances end of year	<u>\$ 315,726</u>	<u>\$ 182,383</u>	<u>\$ 498,109</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 315,726</u>	<u>\$ 182,383</u>	<u>\$ 498,109</u>

See notes to financial statements.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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.

Except as noted, these financial statements present the City of Alta (the primary government) and its component units. The financial statements do not include financial data for the Alta Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Alta Firemen's Association was established as a legally separate, tax-exempt, organization to support the Alta Fire Department. The association acts primarily as a fund-raising organization to supplement the resources that are available to the City in support of the fire department. Throughout the year, the association contributes funding to be used for various projects in support of the fire department. The association's resources are entirely for the benefit of the fire department and it is considered a component unit of the City and is discretely presented in the City's financial statements.

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. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utilities were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Utility administrative office.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 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 Statement - The Cash Basis Statement of Activities and Net Position 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 service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 a 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.

The City reports the following major governmental funds:

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation – (Continued)

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used 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 Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Capital Projects Fund it 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 Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

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.

C. Measurement Focus and 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.

Under the 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 position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions.

2. CASH

The City's deposits in banks at June 30, 2015, 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 Number 3, as amended by Statement 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) to 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, 2015

3. BONDS AND LOANS PAYABLE

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

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Sewer Revenue</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	58,000	7,920	70,152	82,080	128,152	90,000
2017	59,000	5,770	71,882	80,350	130,882	86,120
2018	19,000	3,575	73,426	78,808	92,426	82,383
2019	20,000	3,100	75,000	77,232	95,000	80,332
2020	20,000	2,600	76,402	75,830	96,402	78,430
2021-2025	84,000	5,325	408,210	352,950	492,210	358,275
2026-2030	-	-	453,943	307,217	453,943	307,217
2031-2035	-	-	504,804	256,356	504,804	256,356
2036-2040	-	-	561,265	199,895	561,265	199,895
2041-2045	-	-	624,285	136,875	624,285	136,875
2046-2050	-	-	668,362	67,177	668,362	67,177
2051-2053	-	-	296,274	7,876	296,274	7,876
	<u>\$ 260,000</u>	<u>\$ 28,290</u>	<u>\$ 3,884,005</u>	<u>\$ 1,722,646</u>	<u>\$ 4,144,005</u>	<u>\$ 1,750,936</u>

Sewer Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,092,000 of sewer revenue notes issued in December 2012. Proceeds from the notes provided financing for the construction of the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2053. The total principal and interest remaining to be paid on the notes is \$5,606,651. For the current year, principal and interest paid and total customer net receipts were \$152,232 and \$87,964, respectively.

The resolutions providing for the 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 funds.
- B. Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- C. Additional monthly transfers of \$1,269 shall be made to a sewer reserve account within the Enterprise Fund until a specific minimum balance has been accumulated in the account. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

The City has established the required sinking and reserve accounts as required by the sewer revenue note resolution, however, they are underfunded as of June 30, 2015.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

4. PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

4. PENSION AND RETIREMENT BENEFITS – (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$22,528.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$182,494. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0046016 percent, which was an increase of 0.0005598 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,659, \$10,037 and \$69,598 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2012)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership program.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

4. PENSION AND RETIREMENT BENEFITS – (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	344,817	182,494	45,476

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	
Vacation	<u>\$ 6,364</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 4 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are based on the ages of those on the plan, ranging from \$811 to \$1,208 per employee plan. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$46,608 to the plan.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax Tax Increment Financing	\$ 93,015 <u>12,642</u> <u>105,657</u>
Capital Projects	Special Revenue: Local Option Sales Tax	<u>31,827</u>
Total		<u>\$ 137,484</u>

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

9. DEFICIT BALANCE

The Road Use Tax and Capital Projects funds have deficit balances of \$479,262 and \$92,942, respectively as of June 30, 2015. These deficits were a result of costs incurred prior to availability of funds. These deficits will be eliminated by loan proceeds, transfers from other funds, and the sale of residential lots.

10. 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 county and municipalities. Payments to that commission totaled \$103,053 during the year ended June 30, 2015.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

11. CONTRACTS AND COMMITMENTS

The City has entered into the following contracts, which were not completed as of June 30, 2015.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of June 30, 2015</u>	<u>Remaining Commitment As of June 30, 2015</u>
AMU Addition	\$ 204,342	\$ 176,190	\$ 28,152

## OTHER 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  
 OTHER INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final
	Funds	Funds		Original	Final	To
	Actual	Actual				Total
						Variance
Receipts:						
Property tax	\$ 439,080	\$ -	\$ 439,080	\$ 427,880	\$ 427,880	\$ 11,200
Tax increment financing collections	12,642	-	12,642	9,000	9,000	3,642
Other city tax	186,031	-	186,031	187,485	187,485	(1,454)
Licenses and permits	8,972	-	8,972	8,789	8,789	183
Use of money and property	33,161	-	33,161	19,875	19,875	13,286
Intergovernmental	369,367	-	369,367	230,993	230,993	138,374
Charges for service	164,450	443,684	608,134	497,290	497,290	110,844
Special assessments	9,473	-	9,473	-	-	9,473
Miscellaneous	79,290	-	79,291	91,455	91,455	(12,164)
Total receipts	<u>1,302,466</u>	<u>443,684</u>	<u>1,746,151</u>	<u>1,472,767</u>	<u>1,472,767</u>	<u>273,384</u>
Disbursements:						
Public safety	324,756	-	324,756	253,245	347,245	22,489
Public works	231,071	-	231,071	213,816	240,480	9,409
Culture and recreation	255,432	-	255,432	242,299	250,299	(5,133)
Community and economic development	48,059	-	48,059	43,904	43,904	(4,155)
General government	141,531	-	141,531	138,618	139,618	(1,913)
Debt service	63,071	-	63,071	39,890	39,890	(23,181)
Capital Projects	476,912	-	476,912	70,000	512,200	35,288
Business type activities	-	478,271	478,271	455,118	521,518	43,247
Total disbursements	<u>1,540,832</u>	<u>478,271</u>	<u>2,019,103</u>	<u>1,456,890</u>	<u>2,095,154</u>	<u>76,051</u>
Excess (deficiency) of receipts over disbursements	(238,366)	(34,587)	(272,952)	15,877	(622,387)	349,435
Other financing sources, net	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>265,000</u>	<u>(65,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(38,366)	(34,587)	(72,952)	15,877	(357,387)	284,435
Balances, beginning of year	<u>201,169</u>	<u>532,696</u>	<u>733,865</u>	<u>727,107</u>	<u>-</u>	<u>733,865</u>
Balances, end of year	<u>\$ 162,803</u>	<u>\$ 498,109</u>	<u>\$ 660,913</u>	<u>\$ 742,984</u>	<u>\$ (357,387)</u>	<u>\$ 1,018,300</u>

See accompanying independent auditor's report.

CITY OF ALTA  
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

The budgetary comparison is presented 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. 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, the Permanent Fund, and the Enterprise 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 ended June 30, 2015 the budget was amended one time which increased budgeted disbursements by \$638,264. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions.

CITY OF ALTA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2015

	2015
City's proportion of the net pension liability	0.0046016%
City's proportionate share of the net pension liability	\$ 182,494
City's covered-employee payroll	\$ 296,881
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.47%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF ALTA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
LAST 4 FISCAL YEARS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 22,528	\$ 26,512	\$ 22,983	\$ 19,193
Contributions in relatio to the statutorily required contribution	<u>(22,528)</u>	<u>(26,512)</u>	<u>(22,983)</u>	<u>(19,193)</u>
Contribution of deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 252,272	\$ 296,881	\$ 265,089	\$ 237,826
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

CITY OF ALTA  
NOTES TO OTHER INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period in the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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, 2015

Schedule 1

	Special Revenue <u>Library</u>	Permanent <u>Library</u>	<u>Total</u>
Receipts:			
Intergovernmental	\$ -	\$ -	\$ -
Disbursements:			
Operating:			
Culture and recreation	<u>530</u>	<u>-</u>	<u>530</u>
Net change in cash balances	(530)	-	(530)
Cash balances beginning of year	<u>4,276</u>	<u>5,030</u>	<u>9,306</u>
Cash balances end of year	<u>\$ 3,746</u>	<u>\$ 5,030</u>	<u>\$ 8,776</u>
Cash Basis Fund Balances			
Nonspendable - Library	\$ -	\$ 5,030	\$ 5,030
Restricted for:			
Other purposes	<u>3,746</u>	<u>-</u>	<u>3,746</u>
Total cash basis fund balances	<u>\$ 3,746</u>	<u>\$ 5,030</u>	<u>\$ 8,776</u>

See accompanying independent auditor's report.

CITY OF ALTA  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2015

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>
General obligation bonds and capital loan notes:								
G.O. Bonds	March 15, 2007	4.25-4.30%	\$ 340,000	\$ 115,000	\$ -	\$ 35,000	\$ 80,000	\$ 4,890
G.O. Corporate Purpose Notes	November 18, 2014	2.50%	200,000	-	200,000	20,000	180,000	2,681
			<u>\$ 540,000</u>	<u>\$ 115,000</u>	<u>\$ 200,000</u>	<u>\$ 55,000</u>	<u>\$ 260,000</u>	<u>\$ 7,571</u>
Revenue notes:								
Sewer	December 20, 2012	2.13%	\$ 3,412,000	\$ 3,329,013	\$ -	\$ 56,743	\$ 3,272,270	\$ 70,193
Sewer	December 20, 2012	2.13%	680,000	623,891	-	12,156	611,735	13,140
			<u>\$ 4,092,000</u>	<u>\$ 3,952,904</u>	<u>\$ -</u>	<u>\$ 68,899</u>	<u>\$ 3,884,005</u>	<u>\$ 83,333</u>

See accompanying independent auditor's report.

CITY OF ALTA  
DEBT MATURITIES  
JUNE 30, 2015

Schedule 3

Year Ending June 30	General Obligation Notes				Revenue Notes			
	Issued March 15, 2007		Issued November 18, 2014		Sewer Issued December 20, 2012		Sewer Issued December 20, 2012	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2016	4.25%	40,000	2.50%	18,000	2.125%	57,771	2.125%	12,381
2017	4.30	40,000	2.50	19,000	2.125	59,200	2.125	12,682
2018		-	2.50	19,000	2.125	60,471	2.125	12,955
2019		-	2.50	20,000	2.125	61,768	2.125	13,232
2020		-	2.50	20,000	2.125	62,918	2.125	13,484
2021		-	2.50	20,000	2.125	64,444	2.125	13,806
2022		-	2.50	21,000	2.125	65,826	2.125	14,102
2023		-	2.50	21,000	2.125	67,239	2.125	14,405
2024		-	2.50	22,000	2.125	68,522	2.125	14,685
2025		-		-	2.125	70,152	2.125	15,029
2026		-		-	2.125	71,657	2.125	15,351
2027		-		-	2.125	73,195	2.125	15,681
2028		-		-	2.125	74,623	2.125	15,992
2029		-		-	2.125	76,367	2.125	16,360
2030		-		-	2.125	78,006	2.125	16,711
2031		-		-	2.125	79,680	2.125	17,070
2032		-		-	2.125	81,265	2.125	17,415
2033		-		-	2.125	83,133	2.125	17,810
2034		-		-	2.125	84,917	2.125	18,192
2035		-		-	2.125	86,739	2.125	18,583
2036		-		-	2.125	88,496	2.125	18,964
2037		-		-	2.125	90,499	2.125	19,388
2038		-		-	2.125	92,441	2.125	19,804
2039		-		-	2.125	94,425	2.125	20,229
2040		-		-	2.125	96,368	2.125	20,651
2041		-		-	2.125	98,519	2.125	21,106
2042		-		-	2.125	100,633	2.125	21,559
2043		-		-	2.125	102,793	2.125	22,022
2044		-		-	2.125	104,939	2.125	22,487
2045		-		-	2.125	107,250	2.125	22,977
2046		-		-	2.125	109,551	2.125	23,470
2047		-		-	2.125	111,902	2.125	23,974
2048		-		-	2.125	114,270	2.125	24,486
2049		-		-	2.125	116,756	2.125	24,692
2050		-		-	2.125	119,261	2.125	-
2051		-		-	2.125	121,820	2.125	-
2052		-		-	2.125	124,429	2.125	-
2053		-		-	2.125	50,025	2.125	-
		<u>\$ 80,000</u>		<u>\$ 180,000</u>		<u>\$ 3,272,270</u>		<u>\$ 611,735</u>

See accompanying independent auditor's report.

CITY OF ALTA  
SCHEDULE OF RECEIPTS BY SOURCE  
AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

Schedule 4

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 439,080	\$ 414,829	\$ 391,127	\$ 364,852
Tax increment financing	12,642	9,729	6,940	6,598
Other city tax	186,031	183,260	195,578	203,937
Licenses and permits	8,972	10,217	9,775	10,677
Use of money and property	33,161	21,735	1,960	2,489
Intergovernmental	369,367	259,131	191,165	675,271
Charges for service	164,450	125,526	55,394	38,330
Special assessments	9,473	36,454	-	-
Miscellaneous	79,290	46,530	59,891	111,061
Total	<u>\$1,302,466</u>	<u>\$1,107,411</u>	<u>\$ 911,830</u>	<u>\$1,413,215</u>
Disbursements:				
Operating:				
Public safety	\$ 324,756	\$ 276,739	\$ 252,317	\$ 228,346
Public works	231,071	286,846	268,677	185,754
Culture and recreation	255,432	224,889	132,531	146,179
Community and economic development	48,059	40,708	53,318	29,969
General government	141,531	178,196	155,865	143,441
Debt service	63,071	41,843	203,441	44,695
Capital projects	476,912	86,876	549,498	3,530,974
Total	<u>\$1,540,832</u>	<u>\$1,136,097</u>	<u>\$1,615,647</u>	<u>\$4,309,358</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, 2015

Schedule 5

	Summer Baseball Program	Benefits Account	Trees Forever	Horizons	Total
Receipts	\$ 51,926	\$ 5,536	\$ 3,502	\$ 914	\$ 61,878
Disbursements	<u>59,650</u>	<u>6,046</u>	<u>4,407</u>	<u>781</u>	<u>70,884</u>
Net change in cash balances	(7,724)	(510)	(905)	133	(9,006)
Cash balances beginning of year	<u>41,950</u>	<u>1,951</u>	<u>2,832</u>	<u>1,678</u>	<u>48,411</u>
Cash balances end of year	<u>\$ 34,226</u>	<u>\$ 1,441</u>	<u>\$ 1,927</u>	<u>\$ 1,811</u>	<u>\$ 39,405</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
STEVE C. CAMPBELL, C.P.A.  
RICHARD R. MOORE, C.P.A. (RETIRED)  
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 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Alta, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2016. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Alta Municipal Utilities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alta's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Alta's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Alta's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Alta's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in part I of the accompanying Schedule of Findings to be 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, 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 non-compliance 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Alta. 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 the Findings

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

### Purpose of this Report

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

Hungelman, Putzies & Co., PLC

March 5, 2016

CITY OF ALTA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) 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 – The City of Alta will review its control procedures to obtain the maximum internal control possible under the circumstances posed by being a town of population only 1883.

Conclusion – Response accepted.

- (B) 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 the cash basis of accounting requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – The City of Alta will look into further training and professional education courses for the City Clerk to take regarding accounting. The City Clerk is currently enrolled in the Municipal Professional Academy's City Clerk certification. The City Clerk will try to find some accounting specific courses to take.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions. Also, disbursements in the public safety and capital projects exceeded budgeted amounts prior to the budget amendment. 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.

Response – If it is deemed that the City's budget needs to be amended, the City of Alta will go through the amendment process before the disbursements exceed the City budget.

Conclusion – Response accepted.

CITY OF ALTA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

- (2) 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.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Transaction Amount</u>
Ron Neulieb, Mayor, Owner of Control System Specialists	Maintenance	\$4,485
Fred Theisen, Employee,	Equipment Rent	\$750

In accordance with chapter 362.5(k) of the Code of Iowa, the transactions with Mayor Neulieb may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The Code does allow the City to transact business with City officers or employees in excess of \$2,500 but only if the contract is made subject to a competitive bid in writing, publicly invited, and opened. The City should consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – If the City of Alta needs to do business with a City officer or employee in excess of \$2,500, the contract made will be subject to a competitive bid, and following proper procedures.

Conclusion – Response accepted.

- (5) 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.
- (6) 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.
- (7) Revenue Notes - The City has established the sinking and reserve accounts as required by the sewer revenue note resolution. However, the sewer sinking and reserve accounts do not have a sufficient balance as of June 30, 2015.

Recommendation - The City should make the required transfers until the account balances reach the minimum required by the sewer revenue bond resolution.

Response – The City of Alta has established the required sinking and reserve accounts and will continue to do the monthly transfers until the funds have a sufficient balance.

Conclusion – Response accepted.

CITY OF ALTA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

- (8) City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not. However, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings published to include a summary of all receipts. The minutes do not include a summary of receipts.

Recommendation - The City should comply with the Code of Iowa and publish a summary of receipts in the City Council minutes, as required.

Response – The City of Alta will publish a summary of receipts in the monthly minutes.

Conclusion – Response accepted.

- (9) Urban Renewal Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2014.

- (10) Financial Condition - At June 30, 2015, the City had deficit balances in the Road Use Tax, and Capital Projects funds of \$479,262, and \$92,942, respectively

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

Response – The City of Alta will work to eliminate our deficit balances in Road Use Tax and Capital Projects Fund.

Conclusion – Response accepted.

- (11) Payment of General Obligation Notes – Principal and interest on the City’s 2014 general obligation corporate purpose note were paid from the Capital Projects Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Capital Projects Fund for future funding contributions. Payments on the notes should then be made from the Debt Service Fund as required.

Response – The City will transfer from the Capital Projects Fund to the Debt Services Fund to make the principal and interest payments on the G.O. Bond.

Conclusion – Response accepted.