

CITY OF ALTA, IOWA

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

JUNE 30, 2016

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-4
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	5
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	6
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	7
Notes to Financial Statements		8-17
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		18
Notes to Other Information – Budgetary Reporting		19
Schedule of the City's Proportionate Share of the Net Pension Liability		20
Schedule of the City's Contributions		21
Notes to Other Information – Pension Liability		22
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances- Nonmajor Governmental Funds	1	23
Schedule of Indebtedness	2	24
Bond and Note Maturities	3	25
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	26
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Agency Funds	5	27
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 <i>Government Auditing Standards</i>		28-29
Schedule of Findings		30-37

CITY OF ALTA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Neulieb	Mayor	December 31, 2017
Pam Henderson	Council Member	December 31, 2017
Lee Meyer	Council Member	December 31, 2017
Jerry Buckendahl	Council Member	December 31, 2019
Vi Tilk	Council Member	December 31, 2019
Denny Weber	Council Member	December 31, 2019
Megan Peterson	City Clerk	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, each major fund and the aggregate remaining fund information of the City of Alta, Iowa, as of and for the year ended June 30, 2016, 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 the financial data for the City's discretely presented component units because the Alta Municipal Utilities financial statements are reported 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 described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the cash balance of Alta Municipal Utilities, a component unit of the City, as of June 30, 2016, or the cash receipts and disbursements 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, and each major fund of the City, as of June 30, 2016, 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 are a basis of accounting other than U.S. generally accepted accounting principles. Our opinions were 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 the City of Alta's basic financial statements. The City of Alta's financial statements for the four years ended June 30, 2015 were audited by another CPA firm (and are not presented herein). 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 18 through 22, 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 *Governmental Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the City of Alta'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 the City of Alta's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

November 16, 2016

Financial Statements

CITY OF ALTA, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Primary Government							
Governmental activities:							
Public safety	\$ 302,455	40	68,555	-	(233,860)	-	(233,860)
Public works	231,146	46,970	232,700	-	48,524	-	48,524
Culture and recreation	390,272	118,333	10,366	1,002	(260,571)	-	(260,571)
Community and economic development	48,888	-	-	-	(48,888)	-	(48,888)
General government	148,057	-	9,476	17,575	(121,006)	-	(121,006)
Debt service	66,494	-	-	-	(66,494)	-	(66,494)
Capital projects	93,894	-	-	128,898	35,004	-	35,004
Total governmental activities	1,281,206	165,343	321,097	147,475	(647,291)	-	(647,291)
Business type activities							
Sewer	441,507	276,388	-	-	-	(165,119)	(165,119)
Solid Waste	151,996	180,545	-	-	-	28,549	28,549
Total business type activities	593,503	456,933	-	-	-	(136,570)	(136,570)
Total	\$ 1,874,709	622,276	321,097	147,475	(647,291)	(136,570)	(783,861)
General Receipts:							
Property tax levied for:							
General purposes					405,413	-	405,413
Debt service					64,714	-	64,714
Tax increment financing					33,633	-	33,633
Local option sales tax					199,682	-	199,682
Unrestricted interest on investments					635	-	635
Special assessments					3,763	-	3,763
Miscellaneous					145,580	-	145,580
Total general receipts and transfers					853,420	-	853,420
Change in cash basis net position					206,129	(136,570)	69,559
Cash basis net position, beginning of year					251,288	498,109	749,397
Cash basis net position, end of year					\$ 457,417	361,539	818,956
Cash Basis Net Assets:							
Restricted:							
Nonexpendable					\$ 5,000	-	5,000
Expendable:							
LOST					14,260	-	14,260
Debt service					106,156	-	106,156
Other purposes					116,265	-	116,265
Unrestricted					215,736	361,539	577,275
Total cash basis net position					\$ 457,417	361,539	818,956

CITY OF ALTA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue						Total
	General	LOST	Road Use Tax	Debt Service	Capital Projects	Nonmajor	
Receipts:							
Property tax	\$ 405,413	-	-	64,714	-	-	470,127
Tax increment financing	-	-	-	-	-	33,633	33,633
Other city tax	-	199,682	-	-	-	-	199,682
Licenses and permits	6,148	-	-	-	-	-	6,148
Use of money and property	25,128	-	-	-	-	-	25,128
Intergovernmental	45,220	-	232,700	-	52,757	-	330,677
Charges for service	165,343	-	-	-	-	-	165,343
Special assessments	3,763	-	-	-	-	-	3,763
Miscellaneous	90,546	-	-	-	162,288	-	252,834
Total receipts	741,561	199,682	232,700	64,714	215,045	33,633	1,487,335
Disbursements:							
Operating:							
Public safety	302,455	-	-	-	-	-	302,455
Public works	4,734	-	226,412	-	-	-	231,146
Culture and recreation	390,272	-	-	-	-	-	390,272
Community and economic development	48,888	-	-	-	-	-	48,888
General government	148,057	-	-	-	-	-	148,057
Debt service	-	-	-	43,920	22,574	-	66,494
Capital projects	-	21,596	-	-	72,298	-	93,894
Total disbursements	894,406	21,596	226,412	43,920	94,872	-	1,281,206
Excess (deficiency) of receipts over (under) disbursements	(152,845)	178,086	6,288	20,794	120,173	33,633	206,129
Other financing sources (uses):							
Transfers in	143,534	-	2,500	-	104,413	-	250,447
Transfers out	-	(163,826)	-	-	(2,500)	(84,121)	(250,447)
Total other financing sources (uses)	143,534	(163,826)	2,500	-	101,913	(84,121)	-
Change in cash balance	(9,311)	14,260	8,788	20,794	222,086	(50,488)	206,129
Cash balance beginning of year	678,866	-	(479,262)	85,362	(92,942)	59,264	251,288
Cash balance end of year	\$ 669,555	14,260	(470,474)	106,156	129,144	8,776	457,417
Cash Basis Fund Balances							
Nonspendable - Library	\$ -	-	-	-	-	5,000	5,000
Restricted for:							
LOST	-	14,260	-	-	-	-	14,260
Debt service	-	-	-	106,156	-	-	106,156
Other purposes	89,989	-	-	-	22,500	3,776	116,265
Assigned for:							
Library	4,469	-	-	-	-	-	4,469
Horizons	2,250	-	-	-	-	-	2,250
Fire department	9,302	-	-	-	-	-	9,302
Streets	-	-	25,838	-	-	-	25,838
Unassigned	563,545	-	(496,312)	-	106,644	-	173,877
Total cash basis fund balances	\$ 669,555	14,260	(470,474)	106,156	129,144	8,776	457,417

See Notes to Financial Statements

CITY OF ALTA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds		
	Sewer	Solid Waste	Total
Operating receipts:			
Charges for service	\$ 276,388	180,545	456,933
Total operating receipts	<u>276,388</u>	<u>180,545</u>	<u>456,933</u>
Operating disbursements:			
Business type activities	289,275	151,996	441,271
Total operating disbursements	<u>289,275</u>	<u>151,996</u>	<u>441,271</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(12,887)	28,549	15,662
Non-operating disbursements:			
Debt service	(152,232)	-	(152,232)
Total non-operating receipts	<u>(152,232)</u>	<u>-</u>	<u>(152,232)</u>
Change in cash balances	(165,119)	28,549	(136,570)
Cash balances beginning of year	<u>315,726</u>	<u>182,383</u>	<u>498,109</u>
Cash balances end of year	<u>\$ 150,607</u>	<u>210,932</u>	<u>361,539</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ 46,128	-	46,128
Unrestricted	104,479	210,932	315,411
Total cash basis fund balances	<u>\$ 150,607</u>	<u>210,932</u>	<u>361,539</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(1) Summary of Significant Accounting Policies

The 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 solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Alta has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all other 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.

Excluded Component Unit

The financial statements do not include financial data for Alta Municipal Utilities, a legally separate entity which accounting principles generally accepted in the United States of America require to be reported as a discretely presented component unit.

Alta Municipal Utilities, which 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. Financial statements for the Utility were prepared in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since they City prepares its financial statements on the cash basis. Complete financial statements, for the year ended December 31, 2015, can be obtained from the Municipal Utilities administration office, 223 South Main Street, Alta, IA 51002.

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 Services Board and Buena Vista County Solid Waste Commission.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all 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.

This 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 them to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or 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 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:

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.

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 (LOST) is used to account for the receipt and disbursement of local option sales tax dollars.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

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-restricted classifications- committed, assigned and then unassigned fund balances.

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:

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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, 2016, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and debt service functions.

F. Subsequent Events

City management has evaluated events and transactions for potential recognition or disclosure through November 16, 2016, the date the financial statements were issued.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2016 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 ensure 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; and 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.

CITY OF ALTA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bond and other long-term debt are as follows:

Year Ending June 30,	General Obligation Debt		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 59,000	4,910	\$ 71,890	\$ 80,342	130,890	85,252
2018	19,000	3,575	73,433	78,799	92,433	82,374
2019	20,000	3,100	75,008	77,224	95,008	80,324
2020	20,000	2,600	76,618	75,614	96,618	78,214
2021	20,000	2,100	78,262	73,970	98,262	76,070
2022-2026	64,000	3,225	417,232	343,927	481,232	347,152
2027-2031	-	-	463,960	297,200	463,960	297,200
2032-2036	-	-	515,922	245,238	515,922	245,238
3037-2041	-	-	573,703	187,457	573,703	187,457
2042-2046	-	-	637,955	123,205	637,955	123,205
2047-2051	-	-	657,097	52,826	657,097	52,826
2052-2053	-	-	172,548	2,688	172,548	2,688
Total	\$ 202,000	19,510	\$ 3,813,628	\$ 1,638,490	4,015,628	1,658,000

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 \$5,452,118. For the current year, principal and interest paid and total customer net receipts were \$152,232 and (\$12,887), respectively.

The resolutions providing 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 fund.
- B. Sufficient monthly transfers shall be made to a separate sewer revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- C. Additional monthly transfers of \$1,922 shall be made to a sewer reserve account within the Enterprise 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 reserve accounts as required by the sewer revenue note resolution; however, they are underfunded as of June 30, 2016. The City has not established the required sinking fund account.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(4) Pension Plan

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 50306-7117 or at 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 document 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

In fiscal year 2016, 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, 2016 were \$26,622.

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, 2016, the City reported a liability of \$198,658 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2015, 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, 2015, the City’s proportion was 0.0040210 percent, which was a decrease of 0.0005805 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City’s collective pension expense, collective deferred outflows and collective deferred inflows totaled \$16,753, \$38,194 and \$46,257 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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:

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City’s proportionate share of the net pension liability	\$ 347,815	198,658	72,759

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 4 active members and no inactive members in the plan. 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 retiree 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,

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

ranging from \$567 to \$1,334 for single coverage and family coverage. For the year ended June 30, 2016, the City contributed \$42,713 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are paid.

The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 6,219

This liability has been computed based on rates of pay in effect at June 30, 2016.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2016 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue	
	Tax increment financing	\$ 61,621
	Local option sales tax	81,913
		<u>143,534</u>
Capital Projects	Special Revenue	
	Tax increment financing	\$ 22,500
	Local option sales tax	81,913
		<u>104,413</u>
Road Use Tax	Capital Projects	\$2,500
Total		<u><u>\$ 250,447</u></u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,929 during the year ended June 30, 2016.

(9) 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 disaster. These risks are covered by the purchase of

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

(10) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Alta. Property taxes become liens on property as of July 1, 2015 and are payable in September and March of the fiscal year. The valuation for the taxes were based on January 1, 2014 assessed property valuations, and are based on a certified budget from March of 2015.

(11) Deficit Balances

The Road Use Tax had a deficit balance of \$470,474 as of June 30, 2016. The deficit was 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.

(12) 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 \$110,633 during the year ended June 30, 2016.

(13) New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

(14) Accounting Change/Restatement

Audit procedures revealed the need to consolidate four separately maintained bank accounts into the General Fund during the year. Previously these accounts were reported as a discretely presented component unit and as agency funds. Beginning cash balance for the year ended June 30, 2016 was restated to correctly report these balances as follows:

	General Fund	Component Unit
Cash Balance at June 30, 2015, as previously reported	\$ 590,381	\$ 50,520
Correction of Component Unit	50,520	(50,520)
Correction of unrecorded City money	37,965	-
Cash Balance July 1, 2015, as restated	\$ 678,866	-

Other Information

CITY OF ALTA, IOWA

**Budgetary Comparison Schedule of Receipts, Disbursements, and Changes
in Balances - Budget and Actual (Cash Basis)
All Government Funds and Proprietary Funds**

**OTHER INFORMATION
Year Ended June 30, 2016**

	Governmental Funds Activity	Proprietary Funds Activity	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 470,127	-	470,127	450,148	450,148	(19,979)
Tax increment financing	33,633	-	33,633	9,000	9,000	(24,633)
Other city tax	199,682	-	199,682	186,323	186,323	(13,359)
Licenses and permits	6,148	-	6,148	8,347	8,347	2,199
Use of money and property	25,128	-	25,128	24,525	24,525	(603)
Intergovernmental	330,677	-	330,677	254,345	254,345	(76,332)
Charges for service	165,343	456,933	622,276	508,270	508,270	(114,006)
Special assessments	3,763	-	3,763	10,000	10,000	6,237
Miscellaneous	252,834	-	252,834	67,720	188,470	(64,364)
Total receipts	1,487,335	456,933	1,944,268	1,518,678	1,639,428	(304,840)
Disbursements:						
Program						
Public safety	302,455	-	302,455	269,663	283,663	(18,792)
Public works	231,146	-	231,146	308,752	308,752	77,606
Culture and recreation	390,272	-	390,272	268,651	348,651	(41,621)
Community and economic development	48,888	-	48,888	53,113	53,113	4,225
General government	148,057	-	148,057	145,337	149,337	1,280
Debt service	66,494	-	66,494	46,000	46,000	(20,494)
Capital projects	93,894	-	93,894	30,000	126,000	32,106
Business-type activities	-	593,503	593,503	572,451	632,451	38,948
Total disbursements	1,281,206	593,503	1,874,709	1,693,967	1,947,967	73,258
Excess (deficiency) of receipts over disbursements	206,129	(136,570)	69,558	(175,289)	(308,539)	(378,097)
Other financing sources, net	-	-	-	-	(10,000)	(10,000)
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	206,129	(136,570)	69,558	(175,289)	(318,539)	(388,097)
Balance - beginning of year	251,288	498,109	749,397	424,445	424,445	324,952
Balance - end of year	\$ 457,417	361,539	818,955	249,156	105,906	(63,145)

CITY OF ALTA, IOWA

Notes to Other Information- Budgetary Reporting

June 30, 2016

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, 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. 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, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and 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, two budget amendments increased disbursements by \$254,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and debt service functions.

CITY OF ALTA, IOWA
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

	2016	2015
City's proportion of the net pension liability	0.0040210%	0.0046016%
City's proportionate share of the net pension liability	198,658	182,494
City's covered-employee payroll	252,272	296,881
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.75%	61.47%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors report.

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, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last 5 Years*

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 24,600	\$ 22,528	\$ 26,512	\$ 22,983	\$ 19,193
Contributions in relation to the statutorily required contribution	<u>(24,600)</u>	<u>(22,528)</u>	<u>(26,512)</u>	<u>(22,983)</u>	<u>(19,193)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	275,476	252,272	296,881	265,089	237,826
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

***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 in which information is readily available.

CITY OF ALTA, IOWA

Notes to Other Information- Pension Liability

Year ended June 30, 2016

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% per year measured from the member's first unreduced retirement age to a 6% 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.

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% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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 for 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.

Supplementary Information

CITY OF ALTA, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue		Permanent	Total
	Tax Increment Financing	Library	Library	
Receipts:				
Tax increment financing	\$ 33,633	-	-	33,633
Total receipts	<u>33,633</u>	<u>-</u>	<u>-</u>	<u>33,633</u>
Other financing sources (uses):				
Operating transfers out	(84,121)	-	-	(84,121)
Total other financing sources (uses)	<u>(84,121)</u>	<u>-</u>	<u>-</u>	<u>(84,121)</u>
Change in cash balances	(50,488)	-	-	(50,488)
Cash balances beginning of year	<u>50,488</u>	<u>3,746</u>	<u>5,030</u>	<u>59,264</u>
Cash balances end of year	<u>\$ -</u>	<u>3,746</u>	<u>5,030</u>	<u>8,776</u>
Cash Basis Fund Balances				
Nonspendable - Library	\$ -	-	5,000	5,000
Restricted for:				
Other purposes	-	3,746	30	3,776
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>3,746</u>	<u>5,030</u>	<u>8,776</u>

See Accompanying Independent Auditor's Report.

CITY OF ALTA, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bond								
G.O. Bonds	March 15, 2007	4.25-4.30%	\$ 340,000	80,000	-	40,000	40,000	3,420
G.O. Corporate Purpose Notes	November 18, 2014	2.50%	200,000	180,000	-	18,000	162,000	4,574
			<u>\$ 540,000</u>	<u>260,000</u>	<u>-</u>	<u>58,000</u>	<u>202,000</u>	<u>7,994</u>
Revenue notes:								
Sewer	December 20, 2012	2.13%	\$ 3,412,000	3,272,270	-	57,960	3,214,310	68,976
Sewer	December 20, 2012	2.13%	680,000	611,735	-	12,417	599,318	12,879
			<u>\$ 4,092,000</u>	<u>3,884,005</u>	<u>-</u>	<u>70,377</u>	<u>3,813,628</u>	<u>81,855</u>

CITY OF ALTA, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2016

Year Ending June 30,	General Obligation Notes				Sewer Revenue Notes			
	Issued March 15, 2007		Issued November 18, 2014		Issued December 20, 2012		Issued December 20, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	4.30%	40,000	2.50%	19,000	2.125%	59,206	2.125%	12,684
2018		-	2.50	19,000	2.125	60,477	2.125	12,956
2019		-	2.50	20,000	2.125	61,775	2.125	13,234
2020		-	2.50	20,000	2.125	63,100	2.125	13,518
2021		-	2.50	20,000	2.125	64,454	2.125	13,808
2022		-	2.50	21,000	2.125	65,837	2.125	14,104
2023		-	2.50	21,000	2.125	67,250	2.125	14,407
2024		-	2.50	22,000	2.125	68,693	2.125	14,716
2025		-		-	2.125	70,167	2.125	15,032
2026		-		-	2.125	71,673	2.125	15,354
2027		-		-	2.125	73,211	2.125	15,684
2028		-		-	2.125	74,782	2.125	16,020
2029		-		-	2.125	76,386	2.125	16,364
2030		-		-	2.125	78,025	2.125	16,715
2031		-		-	2.125	79,700	2.125	17,074
2032		-		-	2.125	81,410	2.125	17,440
2033		-		-	2.125	83,157	2.125	17,814
2034		-		-	2.125	84,941	2.125	18,197
2035		-		-	2.125	86,764	2.125	18,587
2036		-		-	2.125	88,626	2.125	18,986
2037		-		-	2.125	90,527	2.125	19,393
2038		-		-	2.125	92,470	2.125	19,809
2039		-		-	2.125	94,454	2.125	20,235
2040		-		-	2.125	96,481	2.125	20,669
2041		-		-	2.125	98,551	2.125	21,112
2042		-		-	2.125	100,666	2.125	21,565
2043		-		-	2.125	102,826	2.125	22,028
2044		-		-	2.125	105,033	2.125	22,501
2045		-		-	2.125	107,287	2.125	22,984
2046		-		-	2.125	109,589	2.125	23,477
2047		-		-	2.125	111,940	2.125	23,981
2048		-		-	2.125	114,342	2.125	24,495
2049		-		-	2.125	116,796	2.125	24,378
2050		-		-	2.125	119,302	2.125	-
2051		-		-	2.125	121,862	2.125	-
2052		-		-	2.125	124,477	2.125	-
2053		-		-	2.125	48,071	2.125	-
		<u>\$ 40,000</u>		<u>\$ 162,000</u>		<u>\$ 3,214,310</u>		<u>\$ 599,318</u>

See Accompanying Independent Auditor's Report.

CITY OF ALTA, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	2016	2015	2014	2013	2012
Receipts					
Property tax	\$ 470,127	439,080	414,829	391,127	364,852
Tax increment financing	33,633	12,642	9,729	6,940	6,598
Other city tax	199,682	186,031	183,260	195,578	203,937
Licenses and permits	6,148	8,972	10,217	9,775	10,677
Use of money and property	25,128	33,161	21,735	1,960	2,489
Intergovernmental	330,677	369,367	259,131	191,165	675,271
Charges for service	165,343	164,450	125,526	55,394	38,330
Special assessments	3,763	9,473	36,454	-	-
Miscellaneous	252,834	79,290	46,530	59,891	111,061
Total	<u>\$ 1,487,335</u>	<u>1,302,466</u>	<u>1,107,411</u>	<u>911,830</u>	<u>1,413,215</u>
Disbursements					
Operating					
Public safety	\$ 302,455	324,756	276,739	252,317	228,346
Public works	231,146	231,071	286,846	268,677	185,754
Culture and recreation	390,273	255,432	224,889	132,531	146,179
Community and economic development	48,888	48,059	40,708	53,318	29,969
General government	148,056	141,531	178,196	155,865	143,441
Debt service	66,494	63,071	41,843	203,441	44,695
Capital projects	93,894	476,912	86,876	549,498	3,530,974
Total	<u>\$ 1,281,206</u>	<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, IOWA

COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
AGENCY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Benefits Account</u>
Receipts	17,499
Disbursements	9,585
Net change in cash balances	7,914
Cash balances beginning of year	<u>1,441</u>
Cash balances end of year	<u><u>\$ 9,355</u></u>

See Accompanying Independent Auditor's Report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alta, Iowa as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2016. Our report expressed an adverse opinion on the excluded component unit and as unmodified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the City of Alta's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Alta's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-16 and I-B-16 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items I-C-16 through II-G-16 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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, 2016 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 Response to the Findings

The City of Alta's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses we did not audit the responses 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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

T.P. Anderson & Company, P.C.

November 16, 2016

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties – Generally, we noted that one individual has control over each of the following areas:

- 1) Payroll – entering rates and hours into the system, recordkeeping, preparing, signing and distributing.
- 2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 3) Financial Reporting and Budgeting – preparing and reconciling.
- 4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

Criteria - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause – There is a limited staff size that makes having an appropriate segregation of duties difficult for the City. The City does have a policy of required two signatures on all checks being issued. During the audit we identified numerous checks that only had one signature.

Effect – The City’s internal control system is not as strong as it could be with a proper segregation of duties.

Recommendation – The City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should ensure they are following their policy of required dual signatures on all checks being issued.

Response – The City of Alta will review its control procedures to obtain the maximum internal control possible under the circumstances posed by being comprised of a very small population.

Conclusion – Response accepted.

I-B-16 Financial Reporting – The City’s management does not possess the expertise to select and apply accounting principles and to prepare full-disclosure financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – A proper system of internal controls assumes that management is able to select and apply appropriate accounting principles in order to present financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause – The Utilities have a strong staff capable of performing duties such as billing, bookkeeping, and customer service and managing a smooth operating enterprise, however the benefit of having an employee on staff with the needed accounting expertise has been outweighed by the added cost.

Effect – Management is not able to, without assistance, prepare financial statements in accordance with the standards.

Recommendation – Management should consider obtaining professional education training specific

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

to the accounting principles used by the Utilities.

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.

I-C-16

Credit/Debit Cards – The City has credit and debit cards for use by various employees while on City business. Although the City has adopted a policy stating who is authorized to use the credit and debit cards, the policy lacks information regarding the proper procedures and documentation required to substantiate charges.

Criteria – An internal control system that is functioning properly should include written guidelines on the proper treatment of credit card charges.

Cause – Regular month-end practices do not include proper procedures that follow those included in the written policy for credit card charges.

Effect – Without a policy setting the standards for credit card charges, City employees may not be aware of the appropriate use of the credit cards as well as the supporting documentation that is required to support credit card charges. This may cause inappropriate and unsupported charges.

Recommendation – The City should remove the debit card capabilities to ensure the disbursements are not automatically deducted from the City’s bank account. The City should only use credit cards that are in compliance with a written policy. The City should amend their current written policy to include information on the proper regulation on the City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purpose (including limitations and guidelines on food purchases), as well as the types of supporting documentation required to substantiate charges.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

I-D-16

Swimming Pool Collections – The swimming pool collects admission fees and concession payments each day and submits weekly remittances to the City Clerk for deposit. Documentation supporting these collections was inadequate to determine if the amounts that were remitted to the City Clerk for deposit were complete and accurate.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Cause – Regular month-end practices do not include proper procedures to reconcile swimming pool collections to supporting documentation.

Effect – Supporting documentation was not available to reconcile and support swimming pool collections for admissions and concessions. Additionally, it appears that the City spent more money on concession supplies than they received payments on during the year.

Recommendation – The swimming pool employees should maintain a daily transaction log that can support and reconcile the daily deposit. The City Clerk should review the log to ensure it does reconcile and periodically obtain support for the transaction log provided. Additionally, after the deposit is made by the City Clerk, the swimming pool manager should sign off on the deposit ticket to ensure all monies were properly deposited.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

I-E-16

Compliance – The City does not have a formal process in place for determining compliance with the sewer utility revenue bond resolution provisions.

Criteria – Because failure to comply with the sewer utility revenue bond resolution provisions could cause the City to be in default on the revenue bonds, a system to ensure compliance is important. The City is required to maintain a sinking fund, a reserve fund and a short lived asset reserve fund. The City does not have a sinking fund established and the reserve funds are underfunded as June 30, 2016.

Cause – Regular month-end practices do not include calculating the different provisions outlined in the bond agreement resolution.

Effect – Failure to comply with the bond provisions could cause the City to be in default with respect to the revenue bonds.

Recommendation – Procedures should be developed to ensure that all provisions are calculated and monitored on a monthly basis.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

I-F-16

Separately maintained records – During the audit, we identified four bank accounts that were not being included in the financial reporting of the governmental funds of the City. The bank accounts were used to record the activity of various groups, including the summer baseball program, the fire

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

department, trees forever grant activity and a horizons group that collects contributions for a City “national night out” event. The total balance of these accounts at June 30, 2016 was \$92,239.

Criteria – To appropriately account for and demonstrate accountability for all of the City’s cash assets, procedures should be in place to ensure all bank accounts are included in the City’s financial records. Chapter 384.20 of the Code of Iowa 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.”

Cause – There is no process implemented for identifying that all bank accounts are included and reconciled in the City’s records.

Effect – The bank accounts and related transactions were excluded from the City’s records.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

I-G-16

Transactions – During the audit, we identified a material amount of local option sales tax misposted to the Road Use Tax Fund rather than the Local Option Sales Tax Fund. We also identified General Fund expenditures that were posted to the RUT Fund.

Criteria – Because the City has segregation of duty issues, the council should perform a periodic review of the posting for all taxes by comparing them to the monthly statement received by the County.

Cause – This appears to be due to employee oversight.

Effect – Local option sales tax being misposted in the wrong fund could result in inappropriate spending.

Recommendation – The City should implement procedures to ensure tax receipts and other disbursements are properly recorded in the City’s financial statements.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

CITY OF ALTA, IOWA
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2016

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works, culture and recreation and debt service functions.

Criteria - Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Cause – The City did not discontinue issuing disbursements when the budgeted limits were reached.

Effect – The City did not comply with Chapter 384.20 of the Code of Iowa.

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 – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-16 Questionable Disbursements – During the audit, we noted certain expenditures that may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979. The expense was as follows:

Paid to	Transaction Description	Amount
Carmen Cameron	No supporting invoice	\$ 50
Buffalo Ridge	No supporting invoice	\$ 173
Marsha Hamer	No supporting invoice	\$ 750

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Criteria – In accordance with the Code of Iowa, public expenditures are required to have a clearly identifiable documented public purpose.

Cause – The City did not identify a clear documented public purpose for the questioned disbursement.

Effect – The City did not comply with the Attorney General’s opinion dated April 25, 1979.

CITY OF ALTA, IOWA
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2016

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-C-16 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

II-D-16 Business Transactions – Business transactions between the City and City officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ron Neulieb, Mayor, Owner of Control System Specialists	Various	\$ 2,929

Criteria - Chapter 362.5(3)(j) of the Code of Iowa prohibits any city officer or employee from having a contract of job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$2,500 or if the work was contracted under competitive bid.

Cause – Limited providers of this type of service are available in the City of Alta.

Effect - The transactions with the City official above appear to be in violation of Iowa Code Section 362.5(3)(j), and are not covered under the aforementioned exceptions.

Recommendation – The City should consult with their attorney to see what actions, if any, needs to be taken to remedy the issue.

Response – We will consider this information for any future transactions.

Conclusion – Response accepted.

II-E-16 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-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of the City Council proceedings were published, they were not always published within fifteen days.

Criteria – As required by Chapter 372.13(6) of the Code of Iowa, minutes should be published within

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

fifteen days of the meeting.

Cause – This appears to be employee oversight.

Effect – The City did not comply with the Iowa Code Section 372.13(6).

Recommendation – The City should follow up with the newspaper to ensure the minutes are being published within the required timeframe.

Response – We will comply with this recommendation.

Conclusion – Response accepted

II-G-16 Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, the resolution naming official depositories adopted by the City Council on February 16, 2015 does not indicate the deposit limit by individual institution for the checking and savings accounts as required by Chapter 12C.2 of the Code of Iowa.

Criteria – As required by Chapter 12 of the Code of Iowa, the City should adopt a written investment policy and the depository resolution should specify the maximum amount that may be kept on deposit in each depository.

Cause – This appears to be employee and city council oversight.

Effect – The City did not comply with the Iowa Code chapter 12.

Recommendation – The City should adopt a written investment policy which complies with Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa

Response – We will comply with this recommendation.

Conclusion – Response accepted

II-H-16 Financial Condition – The following funds had a deficit fund balance at June 30, 2016:

<u>Fund</u>	<u>Deficit Balance</u>
Road Use Tax	\$470,474

Criteria – Deficit fund balances may indicate funds that are not in sound financial condition.

Cause – Certain funds have run a deficit in anticipation of better financial results in the future.

CITY OF ALTA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Effect – This City fund balance appears to not be in sound financial position.

Recommendation – The City should investigate alternatives to eliminate the deficit balances in order to return these funds to sound financial positions.

Response – We will review alternatives to bring this fund balances back into a positive position.

Conclusion – Response accepted.

II-I-16 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Capital Projects Fund.

Criteria – Chapter 384.4 of the Code of Iowa states, in part “Monies pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the debt service fund”.

Cause – The City was not aware of this Code position and therefore did not pay the debt from the appropriate fund.

Effect – The City did not comply with this section of the Code of Iowa.

Recommendation – The City should make all general obligation debt payments out of the Debt Service Fund for future funding contributions.

Response – We will make the transfer in the future as recommended.

Conclusion – Response accepted.

II-J-16 Omission of Management’s Discussion and Analysis – The City has elected to exclude Management’s Discussion and Analysis (MD&A) from their financial statements. Although MD&A is generally not required for cash basis financial statements by Governmental Auditing Standards, the Office of the Auditor of the State of Iowa, under Chapter 11 of the Code of Iowa, has established minimum reporting requirements that included reporting MD&A as other information.

Criteria – Chapter 11 of the Code of Iowa requires MD&A reporting as other information.

Cause – The City was not aware of this Code position.

Effect – The City did not comply with this section of the Code of Iowa.

Recommendation – MD&A should be included as other information in future financial statements to comply with the reporting requirements of the Office of the Auditor of the State of Iowa.

Response – We will consider adding an MD&A section in the future.

Conclusion – Response accepted.