



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 16, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Atlantic, Iowa.

The City's receipts totaled \$7,796,047 for the year ended June 30, 2010, a less than one percent decrease from the prior year. The receipts included \$2,741,365 in property tax, \$124,486 from tax increment financing, \$1,295,161 from charges for service, \$1,530,349 from operating grants, contributions and restricted interest, \$475,208 from capital grants, contributions and restricted interest, \$739,713 from local option sales tax, \$14,006 from unrestricted interest on investments, \$708,993 from note proceeds and \$166,766 from other general receipts.

Disbursements for the year totaled \$7,915,208, a 4 percent increase over the prior year, and included \$1,929,725 for public safety, \$1,449,113 for public works and \$1,843,733 for capital projects. Also, disbursements for business type activities totaled \$394,796.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0128-B00F.pdf>.

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CITY OF ATLANTIC

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

JUNE 30, 2010

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City of Atlantic

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
John Krogman	Mayor	Jan 2010
Steve Livengood	Council Member	Jan 2010
John Rueb	Council Member	Jan 2010
Dave Wheatley	Council Member	Jan 2010
Linda Hartkopf	Council Member	Jan 2012
David R. Jones	Council Member	Jan 2012
Kern Miller	Council Member	Jan 2012
Pat Simmons	Council Member	Jan 2012
Ron Crisp	Administrator	Indefinite
Deb Wheatley Field	Clerk/Treasurer	Jan 2010
Sue Muri	Treasurer	(Resigned)
David L. Wiederstein	Attorney	Jan 2010
(After January 2010)		
David R. Jones	Mayor	Jan 2014
Dana Halder	Council Member	Jan 2012
Linda Hartkopf	Council Member	Jan 2012
Kern Miller	Council Member	Jan 2012
Pat Simmons	Council Member	Jan 2012
Steve Livengood	Council Member	Jan 2014
Shaun Shouse	Council Member	Jan 2014
Kathy Somers	Council Member	Jan 2014
Doug Harris	Administrator	Indefinite
Deb Wheatley Field	Clerk/Treasurer	Jan 2012
David L. Wiederstein	Attorney	Jan 2012

City of Atlantic



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Atlantic's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the condensed financial information included in Note 11 for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditor provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

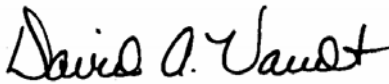
As described in Note 11, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit for the year ended December 31, 2009 have been audited by another auditor and are available from the component unit. The report of the other auditor, dated February 22, 2010, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2011 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Atlantic. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Atlantic provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.5%, or approximately \$310,000, from fiscal year 2009 to fiscal year 2010. Operating grants, contributions and restricted interest decreased approximately \$465,000 and property tax decreased approximately \$158,000 while bond and note proceeds increased \$268,000 and other general receipts increased approximately \$33,000.
- Disbursements of the City's governmental activities increased 4.8%, or approximately \$341,000, in fiscal year 2010 over fiscal year 2009. Capital project function disbursements increased approximately \$454,000 while disbursements for the public works, culture and recreation and debt service functions decreased approximately \$60,000, \$30,000 and \$37,000, respectively.
- The City's total cash basis net assets decreased 3.3%, or approximately \$119,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$301,000 and the assets of the business type activities increased approximately \$182,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds, the Internal Service Funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the storm water and the sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds and its Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Storm Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

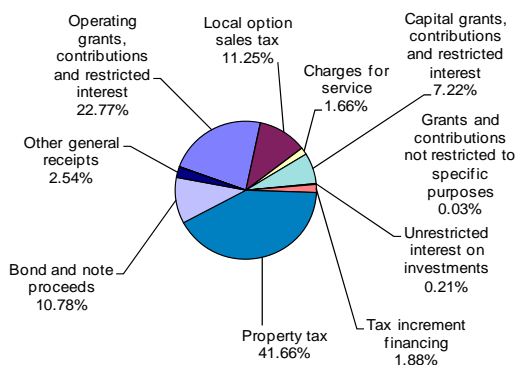
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

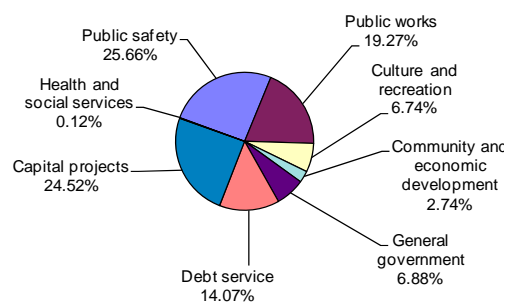
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.71 million to approximately \$2.4 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 109	93
Operating grants, contributions and restricted interest	1,498	1,963
Capital grants, contributions and restricted interest	475	436
General receipts:		
Property tax	2,741	2,899
Tax increment financing	124	110
Local option sales tax	740	774
Grants and contributions not restricted to specific purposes	-	2
Unrestricted interest on investments	14	35
Bond and note proceeds	709	441
Other general receipts	167	134
Total receipts	<u>6,577</u>	<u>6,887</u>
Disbursements:		
Public safety	1,930	1,909
Public works	1,449	1,509
Health and social services	9	12
Culture and recreation	507	537
Community and economic development	206	210
General government	517	517
Debt service	1,058	1,095
Capital projects	1,844	1,390
Total disbursements	<u>7,520</u>	<u>7,179</u>
Change in cash basis net assets before transfers	(943)	(292)
Transfers	642	213
Change in cash basis net assets	(301)	(79)
Cash basis net assets beginning of year	<u>2,706</u>	<u>2,785</u>
Cash basis net assets end of year	<u>\$ 2,405</u>	<u>2,706</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 4.5%, or approximately \$310,000. The total cost of all programs and services increased approximately \$341,000, or 4.8%.

The City decreased property tax rates for fiscal year 2010 an average of 10.1%. This decrease in the property tax rates decreased the City's property tax receipts approximately \$158,000 in fiscal year 2010. Based on increases in the total assessed valuation and an increase in property tax rates, property tax receipts are budgeted to increase approximately \$254,000 next year.

The cost of all governmental activities this year was approximately \$7.52 million compared to approximately \$7.18 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$5.44 million because some of the cost was paid by those directly benefited from the programs (\$109,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,974,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5,137,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and bond and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 186	192
Sewer	1,001	718
Operating grants, contributions and restricted interest	32	30
Capital grants, contributions and restricted interest	-	6
Total receipts	<u>1,219</u>	<u>946</u>
Disbursements:		
Storm water	23	19
Sewer	372	419
Total disbursements	<u>395</u>	<u>438</u>
Changes in cash basis net assets before transfers	824	508
Transfers	<u>(642)</u>	<u>(213)</u>
Change in cash basis net assets	182	295
Cash basis net assets beginning of year	883	588
Cash basis net assets end of year	<u>\$ 1,065</u>	<u>883</u>

Total business type activities receipts for the fiscal year were approximately \$1,219,000 compared to approximately \$946,000 last year. This increase was due primarily to an increase in the sewer use fee rate. The cash balance increased approximately \$182,000 from the prior year due to the increase in sewer use fees. Total disbursements for the fiscal year decreased 9.8% to a total of approximately \$395,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$2,078,292, a decrease of approximately \$281,000 below last year's total of \$2,358,902. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$382,305 from the prior year to \$1,085,496. Total receipts decreased 12.7% and total disbursements decreased 7.6%. Jet fuel sales decreased approximately \$155,000, donations decreased approximately \$120,000, advertisement sales decreased approximately \$10,000 and intergovernmental revenues decreased \$42,816. Disbursements decreased \$249,572, due primarily to the decrease in fuel costs of approximately \$155,000.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$31,243 from the prior year to \$308,158. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. During the fiscal year, revenues increased \$29,171, or 7.0%, from the prior year to \$447,892. Disbursements also increased \$25,229 to \$401,343.
- The Debt Service Fund cash balance increased \$47,757 over the prior year to \$55,095 at the end of the fiscal year.
- The Capital Projects Fund cash balance increased \$193,547 to \$48,090 at the end of the fiscal year. The increase was due primarily to the funding of several projects, with grant reimbursements for the projects completed in fiscal year 2009 being received in fiscal year 2010.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. The cash balance increased \$97,354 over the prior year to \$402,592. The increase in the cash balance is due to receipts outpacing disbursements during the year as there were fewer projects being funded with storm water utility fees.
- The Sewer Fund cash balance increased \$87,138 to \$631,243. Sewer rental collections increased \$282,686 and operating transfers out increased \$477,344, primarily due to the wastewater treatment plant equalization and improvement project started during fiscal year 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 19, 2010 and resulted in an increase of \$109,069 in operating disbursements related to the costs associated with hiring a new City Administrator, ice storm damage, snow removal, union negotiation fees, legal fees and other unanticipated expenses. The City received additional grant funding and other unanticipated revenues to absorb these additional costs.

The City's receipts were \$11,485,775 less than budgeted. This was primarily due to delays in the construction of the new wastewater treatment facility.

With the amendment, total disbursements were \$11,016,895 less than the amended budget. Actual disbursements for the public safety, public works and capital projects functions were \$346,657, \$168,541 and \$10,234,141, respectively, less than the amended budget. This is primarily due to slower progress of the wastewater treatment facility.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$4,594,516 in bonds, notes and other long-term debt outstanding, compared to \$4,727,540 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes/bonds	\$ 2,780,000	3,425,000
Tax increment financing (TIF) revenue bonds	235,000	318,000
Local option sales and services tax revenue bonds	921,754	984,540
Revenue notes	657,762	-
Total	\$ 4,594,516	4,727,540

Debt decreased as a result of issuing less debt than was redeemed during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation, TIF and local option sales and services tax (LOST) revenue debt of \$4,094,314 (including \$157,560 in development and rebate agreements) is significantly below its constitutional debt limit of approximately \$15,270,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$17.4 million, a decrease of 7.8% from the final fiscal year 2010 budget. Budgeted disbursements are expected to decrease approximately \$1.5 million, or 7.7%. The City has added no major new programs or initiatives to the fiscal year 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$300,000 by the close of fiscal year 2011. This is due, in part, to the City accumulating reserves from the fees collected due to an increase in the sewer use rate. A portion of the reserves will be used in fiscal year 2011 to help fund construction of the new wastewater treatment plant, as it will be closer to completion at that time.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Wheatley Field, City Clerk, 23 East 4th Street, City of Atlantic, Iowa.

Basic Financial Statements

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,929,725	22,118	300,049	-
Public works	1,449,113	-	1,128,153	-
Health and social services	9,700	-	-	-
Culture and recreation	506,785	26,668	67,174	-
Community and economic development	206,676	760	1,856	-
General government	516,713	59,081	-	-
Debt service	1,057,967	-	1,138	-
Capital projects	1,843,733	-	-	475,208
Total governmental activities	7,520,412	108,627	1,498,370	475,208
Business type activities:				
Storm water	23,070	186,194	3,588	-
Sewer	371,726	1,000,340	28,391	-
Total business type activities	394,796	1,186,534	31,979	-
Total	\$ 7,915,208	1,295,161	1,530,349	475,208
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,607,558)	-	(1,607,558)
(320,960)	-	(320,960)
(9,700)	-	(9,700)
(412,943)	-	(412,943)
(204,060)	-	(204,060)
(457,632)	-	(457,632)
(1,056,829)	-	(1,056,829)
(1,368,525)	-	(1,368,525)
(5,438,207)	-	(5,438,207)
-	166,712	166,712
-	657,005	657,005
-	823,717	823,717
(5,438,207)	823,717	(4,614,490)
2,109,406	-	2,109,406
631,959	-	631,959
124,486	-	124,486
739,713	-	739,713
14,006	-	14,006
708,993	-	708,993
166,766	-	166,766
641,529	(641,529)	-
5,136,858	(641,529)	4,495,329
(301,349)	182,188	(119,161)
2,706,078	882,715	3,588,793
\$ 2,404,729	1,064,903	3,469,632
\$ 308,158	-	308,158
102,946	-	102,946
85,095	-	85,095
48,090	-	48,090
448,610	-	448,610
1,411,830	1,064,903	2,476,733
\$ 2,404,729	1,064,903	3,469,632

City of Atlantic

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,483,664	-	-
Tax increment financing	-	-	-
Local option sales tax	156,708	-	436,949
Other city tax	110,407	-	-
Licenses and permits	51,787	-	3,600
Use of money and property	54,353	-	398
Intergovernmental	617,851	673,172	-
Charges for service	50,054	-	-
Miscellaneous	243,802	18,502	6,945
Total receipts	2,768,626	691,674	447,892
Disbursements:			
Operating:			
Public safety	1,533,331	-	-
Public works	588,695	661,221	47,015
Health and social services	-	-	9,700
Culture and recreation	441,074	-	(600)
Community and economic development	75,980	-	91,889
General government	402,001	-	23,510
Debt service	-	-	229,829
Capital projects	-	-	-
Total disbursements	3,041,081	661,221	401,343
Excess (deficiency) of receipts over (under) disbursements	(272,455)	30,453	46,549
Other financing sources (uses):			
Note proceeds	51,231	-	-
Operating transfers in	90,909	-	-
Operating transfers out	(251,990)	(61,696)	(14,220)
Total other financing sources (uses)	(109,850)	(61,696)	(14,220)
Net change in cash balances	(382,305)	(31,243)	32,329
Cash balances beginning of year	1,467,801	339,401	100,617
Cash balances end of year	\$ 1,085,496	308,158	132,946
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	30,000
Unreserved:			
General fund	1,085,496	-	-
Special revenue funds	-	308,158	102,946
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 1,085,496	308,158	132,946

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
620,829	-	506,277	2,610,770
-	-	124,486	124,486
-	146,056	-	739,713
11,130	-	9,058	130,595
-	-	-	55,387
1,138	4,049	6,042	65,980
-	448,174	-	1,739,197
-	-	-	50,054
-	22,985	59,058	351,292
633,097	621,264	704,921	5,867,474
-	-	383,796	1,917,127
-	-	147,300	1,444,231
-	-	-	9,700
-	-	64,584	505,058
-	-	38,807	206,676
-	-	88,603	514,114
726,576	-	101,562	1,057,967
-	1,843,733	-	1,843,733
726,576	1,843,733	824,652	7,498,606
(93,479)	(1,222,469)	(119,731)	(1,631,132)
-	657,762	-	708,993
141,236	758,254	-	990,399
-	-	(20,964)	(348,870)
141,236	1,416,016	(20,964)	1,350,522
47,757	193,547	(140,695)	(280,610)
7,338	(145,457)	589,202	2,358,902
55,095	48,090	448,507	2,078,292
55,095	-	-	85,095
-	-	-	1,085,496
-	-	448,507	859,611
-	48,090	-	48,090
55,095	48,090	448,507	2,078,292

City of Atlantic

City of Atlantic

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2010

Total governmental funds cash balances (page 17) \$ 2,078,292

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are used by management to charge the costs of payroll and partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Funds is included in governmental activities in the Statement of Activities and Net Assets.

326,437

Cash basis net assets of governmental activities (page 15) \$ 2,404,729

Net change in cash balances (page 17) \$ (280,610)

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are used by management to charge the costs of payroll and partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Funds is reported with governmental activities.

(20,739)

Change in cash basis net assets of governmental activities (page 15) \$ (301,349)

See notes to financial statements.

Exhibit D

City of Atlantic

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise			Internal Service
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 186,194	1,000,340	1,186,534	2,232,504
Miscellaneous	-	25,332	25,332	-
Total operating receipts	<u>186,194</u>	<u>1,025,672</u>	<u>1,211,866</u>	<u>2,232,504</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,052,111
Public works	-	-	-	419,139
Culture and recreation	-	-	-	287,795
General government	-	-	-	277,246
Business type activities	23,070	369,161	392,231	220,586
Total operating disbursements	<u>23,070</u>	<u>369,161</u>	<u>392,231</u>	<u>2,256,877</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	163,124	656,511	819,635	(24,373)
Non-operating receipts:				
Interest on investments	3,588	2,798	6,386	1,330
Excess (deficiency) of receipts over (under) disbursements	166,712	659,309	826,021	(23,043)
Operating transfers out	(69,358)	(572,171)	(641,529)	-
Net change in cash balances	97,354	87,138	184,492	(23,043)
Cash balances beginning of year	305,238	544,105	849,343	380,548
Cash balances end of year	<u>\$ 402,592</u>	<u>631,243</u>	<u>1,033,835</u>	<u>357,505</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 402,592</u>	<u>631,243</u>	<u>1,033,835</u>	<u>357,505</u>

See notes to financial statements.

City of Atlantic

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds

As of and for the year ended June 30, 2010

Total enterprise funds cash balances (page 20) \$ 1,033,835

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are used by management to charge the costs of payroll and partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Funds is included in business type activities in the Statement of Activities and Net Assets.

31,068

Cash basis net assets of business type activities (page 15) \$ 1,064,903

Net change in cash balances (page 20) \$ 184,492

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are used by management to charge the costs of payroll and partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Funds is reported with business type activities.

(2,304)

Change in cash basis net assets of business type activities (page 15) \$ 182,188

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Atlantic is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1868 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides storm water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atlantic 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.

Discretely Presented Component Unit

The Atlantic Municipal Utilities (Utility), 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 by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 11 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2009 can be obtained from the Utility's administrative office, P.O. Box 517, 15 West Third Street, Atlantic, Iowa 50022.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County E911 Joint Service Board, SWIPCO – Regional Planning Commission and Cass County Public Safety Commission.

B. Basis of Presentation

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

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

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

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

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

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

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 not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for projects financed by local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

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 Enterprise Funds.

The City reports the following major proprietary funds:

The Storm Water Fund accumulates funds to be used for storm water management and flood protection.

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

The City reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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 incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 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.

At June 30, 2010, the City had investments of \$72,182 in a money market account. The investment in the money market account is unrated for credit risk purposes.

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 uses of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, general obligation bonds, tax increment financing (TIF) revenue bonds, local option sales and services tax revenue bonds and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Tax Increment Financing (TIF) Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 355,000	70,368	115,000	49,353	64,500	12,897
2012	385,000	54,595	230,000	45,327	51,000	9,666
2013	300,000	37,123	125,000	36,003	27,500	6,872
2014	275,000	23,512	130,000	31,440	29,000	5,290
2015	135,000	10,495	255,000	26,630	30,500	3,622
2016-2020	75,000	4,050	400,000	33,365	32,500	1,869
2021-2025	-	-	-	-	-	-
Total	\$ 1,525,000	200,143	1,255,000	222,118	235,000	40,216

Year Ending June 30,	Local Option Sales and Services Tax Revenue Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 64,600	44,887	-	-	599,100	177,505
2012	66,501	41,598	-	-	732,501	151,186
2013	73,493	38,206	657,762	-	1,183,755	118,204
2014	45,580	34,424	-	-	479,580	94,666
2015	47,768	32,236	-	-	468,268	72,983
2016-2020	275,515	124,505	-	-	783,015	163,789
2021-2025	348,297	51,721	-	-	348,297	51,721
Total	\$ 921,754	367,577	657,762	-	4,594,516	830,054

Tax Increment Financing (TIF) Revenue Bonds – These were issued for the purpose of defraying a portion of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the individual urban renewal tax increment financing funds and the taxes to be paid into the funds in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing revenue bonds are to be expended only for purposes consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

Local Option Sales and Services Tax Revenue Bonds – The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$300,000 and \$1,000,000 of local option sales and services tax revenue bonds issued in September 1997 and March 2004, respectively. Proceeds from the bonds provided financing for the cost of street improvements and the recreation and wellness center. The bonds are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2013 and 2025, respectively. Annual principal and

interest payments on the bonds are generally expected to require approximately 15% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$1,289,331. For the current year, principal and interest paid and total collections were \$110,861 and \$739,713, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future local option sales tax revenue received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established to account for 15% of the local option sales tax revenue collected.
- (c) Sufficient quarterly deposits shall be made to a sinking account for the purpose of making the bond principal and interest payments when due.
- (d) Additional quarterly deposits of \$2,500 shall be made to a reserve account until \$30,000 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

Sewer Revenue Notes – On November 12, 2009, the City entered into a sewer revenue anticipation project note agreement in an amount not to exceed \$773,000 with the Iowa Finance Authority (IFA). The notes are interest free and are for the purpose of paying for authorized costs in connection with planning and designing improvements and extensions to the municipal sanitary system. The notes were issued in anticipation of, and are payable from, loan proceeds to be received pursuant to an authorized loan and disbursement agreement and the corresponding issuance of sewer revenue bonds. The notes are payable three years from the date of the agreement. As of June 30, 2010, the City had borrowed \$657,762 on the notes.

General Obligation Police and Parks Equipment Note – The City entered into a general obligation equipment note agreement with Atlantic Municipal Utilities in March 2009. The City received and repaid \$51,231 during the year.

(4) Pension and Retirement Benefits

IPERS – The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$124,286, \$121,485 and \$119,066, respectively, equal to the required contributions for each year.

Chapter 410 Police and Fire Pension – Chapter 410 of the Code of Iowa creates a retirement system for police officers and fire fighters of any City qualified to participate under this Chapter. Any duly appointed member of the police and fire departments whose appointment occurred before March 2, 1934 or police and fire fighters who had been making payments of membership fees and assessments prior to July 1, 1971 may

be a member of the system. The pension plan is accounted for by the City in the Special Revenue, Police and Fire Pension Funds.

The plan is administered by the Police Pension Board of Trustees and the Fire Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There are no active participants. Two retirees and certain beneficiaries are currently receiving benefits from the plan. The unfunded past service liability has not been determined.

(5) 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 37 active and 2 retired 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 ranged from \$538 to \$572 for single coverage and \$1,010 to \$1,089 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$362,601 and plan members eligible for benefits contributed \$48,712 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 compensatory time payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 96,000
Compensatory time	<u>54,000</u>
Total	<u>\$ 150,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 30,000
	Emergency	909
	Enterprise:	
	Storm Water	30,000
	Sewer	30,000
		<u>90,909</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	20,055
	Enterprise:	
	Storm Water	25,543
	Sewer	95,638
		<u>141,236</u>
Capital Projects	General	251,990
	Special Revenue:	
	Road Use Tax	31,696
	Local Option Sales Tax	14,220
	Enterprise:	
	Storm Water	13,815
	Sewer	446,533
		<u>758,254</u>
Total		<u>\$ 990,399</u>

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

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$100,914.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsure by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital casualty contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital casualty contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and airport liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Balance

The Special Revenue, Cafeteria Plan Fund had a deficit balance of \$103 at June 30, 2010. The deficit balance was due to the timing of payments made from the cafeteria plan during the fiscal year as the plan is operated on a calendar year basis. The deficit will be eliminated at the end of the calendar year.

(10) Employee Health Insurance Plan

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Marsh Advantage America. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Marsh Advantage America from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2010 was \$418,979.

(11) Atlantic Municipal Utilities

The Atlantic Municipal Utilities (Utility) provides water and electric services to the City and its residents. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. The following is the condensed financial information for the Utility for the year ended December 31, 2009.

Condensed Statements of Net Assets		
	Electric Department	Water Department
Assets		
Current assets	\$ 5,015,222	396,157
Capital assets, net of accumulated depreciation	21,982,743	3,909,070
Other	4,214,820	776,285
Total assets	31,212,785	5,081,512
Liabilities		
Current liabilities	1,470,901	519,139
Other liabilities	7,335,000	930,855
Total liabilities	8,805,901	1,449,994
Net Assets		
Invested in capital assets, net of related debt	14,198,947	2,769,405
Restricted - expendable	1,440,005	3,140
Contributions in aid of construction	-	798,516
Unrestricted	6,767,932	60,457
Total net assets	\$ 22,406,884	3,631,518

Condensed Statements of Income		
	Electric Department	Water Department
Operating revenues:		
Electric sales	\$ 7,131,217	-
Water sales	-	1,005,857
Other	625,499	9,314
Total operating revenues	<u>7,756,716</u>	<u>1,015,171</u>
Operating expenses:		
Production - power/water costs	3,524,979	209,513
Transmission and distribution	1,479,504	227,781
General and administrative	2,394,168	558,444
Total operating expenses	<u>7,398,651</u>	<u>995,738</u>
Operating income	<u>358,065</u>	<u>19,433</u>
Non-operating revenues (expenses):		
Interest income	165,128	20,070
Interest expense	(219,690)	(39,449)
Other non-operating expenses	<u>(11,722)</u>	<u>(3,885)</u>
Total non-operating revenues (expenses)	<u>(66,284)</u>	<u>(23,264)</u>
Net income (loss)	<u>\$ 291,781</u>	<u>(3,831)</u>

Condensed Statements of Changes in Net Assets		
	Electric Department	Water Department
Net assets beginning of year	\$ 22,420,670	3,718,442
Net income	291,781	(3,831)
Contributions in aid of construction	-	1,340
Distribution to the City	<u>(305,567)</u>	<u>(84,433)</u>
Net assets end of year	<u>\$ 22,406,884</u>	<u>3,631,518</u>

Condensed Statements of Cash Flows		
	Electric Department	Water Department
Cash provided (used) by:		
Operating activities	\$ 966,154	194,070
Non-capital financing activities	(189)	80
Capital and related financing activities	(3,340,342)	(284,600)
Investing activities	<u>2,607,521</u>	<u>154,844</u>
Net increase (decrease) in cash	<u>233,144</u>	<u>64,394</u>
Cash beginning of year	<u>2,039,239</u>	<u>236,588</u>
Cash end of year	<u>\$ 2,272,383</u>	<u>300,982</u>

(12) Development Agreements

The City entered into two development agreements to assist in urban renewal projects.

The City agreed to rebate 100% of the incremental tax paid by the developer, minus the amount of debt service tax levied by the taxing jurisdictions and physical plant and equipment tax levied by school districts, in exchange for construction of infrastructure by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed the lesser of actual cost of the public improvements paid for by the developer or \$186,000, plus interest. During the year ended June 30, 2010, the City paid the developer \$17,694 of principal. The outstanding principal balance on the agreement at June 30, 2010 is \$132,560.

The City agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of a furniture store. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of five years beginning December 1, 2008 and semiannually thereafter until June 1, 2013. The total amount rebated shall not exceed \$50,000. During the year ended June 30, 2010, the City paid the developer \$15,000 of principal. The outstanding principal balance on the agreement at June 30, 2010 is \$25,000.

(13) Commitments

In October 2009, the City was ordered to return \$100,000 of Vision Iowa Grant monies due to the failure to complete projects at the Schildberg Quarry recreation area within the timeline of the agreement.

The City negotiated returning the grant funds in two installments. The first installment payment of \$60,000 was paid by January 1, 2010 and the final \$40,000 is to be paid by August 1, 2010.

(14) Special Investigation

A special investigation of the Region IV Fusion Center by the Office of Auditor of State was requested by City officials as a result of concerns identified with federally reimbursed disbursements and a separately maintained bank account. The investigation covered the period March 1, 2006 through August 31, 2009. The special investigation identified \$66,839.61 of improper and unsupported disbursements and undeposited collections. A separate report on the special investigation was issued December 8, 2010.

Copies of the Auditor of State's special investigation report were filed with the Division of Criminal Investigation, the Cass County Attorney's Office and the Attorney General's Office.

Required Supplementary Information

City of Atlantic
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,610,770	-	-
Tax increment financing	124,486	-	-
Other city tax	870,308	-	-
Licenses and permits	55,387	-	-
Use of money and property	65,980	7,716	1,330
Intergovernmental	1,739,197	-	-
Charges for service	50,054	3,419,038	2,232,504
Miscellaneous	351,292	25,332	-
Total receipts	<u>5,867,474</u>	<u>3,452,086</u>	<u>2,233,834</u>
Disbursements:			
Public safety	1,917,127	1,052,111	1,052,111
Public works	1,444,231	419,139	419,139
Health and social services	9,700	-	-
Culture and recreation	505,058	287,795	287,795
Community and economic development	206,676	-	-
General government	514,114	277,246	277,246
Debt service	1,057,967	-	-
Capital projects	1,843,733	-	-
Business type activities	-	612,817	220,586
Total disbursements	<u>7,498,606</u>	<u>2,649,108</u>	<u>2,256,877</u>
Excess (deficiency) of receipts over (under) disbursements	(1,631,132)	802,978	(23,043)
Other financing sources (uses), net	1,350,522	(641,529)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(280,610)	161,449	(23,043)
Balances beginning of year	<u>2,358,902</u>	<u>1,229,891</u>	<u>380,548</u>
Balances end of year	<u>\$ 2,078,292</u>	<u>1,391,340</u>	<u>357,505</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,610,770	2,616,103	2,616,103	(5,333)
124,486	104,411	104,411	20,075
870,308	859,216	859,216	11,092
55,387	23,900	45,250	10,137
72,366	83,200	83,200	(10,834)
1,739,197	13,099,179	13,154,279	(11,415,082)
1,236,588	1,143,500	1,143,500	93,088
376,624	532,923	565,542	(188,918)
<u>7,085,726</u>	<u>18,462,432</u>	<u>18,571,501</u>	<u>(11,485,775)</u>
1,917,127	2,263,784	2,263,784	346,657
1,444,231	1,533,051	1,612,772	168,541
9,700	12,000	12,000	2,300
505,058	565,829	565,829	60,771
206,676	235,502	243,502	36,826
514,114	504,242	525,590	11,476
1,057,967	1,131,950	1,131,950	73,983
1,843,733	12,077,874	12,077,874	10,234,141
392,231	474,431	474,431	82,200
<u>7,890,837</u>	<u>18,798,663</u>	<u>18,907,732</u>	<u>11,016,895</u>
(805,111)	(336,231)	(336,231)	(468,880)
<u>708,993</u>	<u>300,000</u>	<u>300,000</u>	<u>408,993</u>
(96,118)	(36,231)	(36,231)	(59,887)
<u>3,208,245</u>	<u>2,749,869</u>	<u>2,749,869</u>	<u>458,376</u>
<u>3,112,127</u>	<u>2,713,638</u>	<u>2,713,638</u>	<u>398,489</u>

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. 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 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, one budget amendment increased budgeted disbursements by \$109,069. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Atlantic

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Employee Benefits	Cafeteria Plan	Police Pension
Receipts:			
Property tax	\$ 464,632	-	23,672
Tax increment financing	-	-	-
Other city tax	8,306	-	432
Use of money and property	1,043	-	-
Miscellaneous	45,374	13,684	-
Total receipts	519,355	13,684	24,104
Disbursements:			
Operating:			
Public safety	343,953	-	24,453
Public works	147,300	-	-
Culture and recreation	64,584	-	-
Community and economic development	-	-	-
General government	78,818	9,785	-
Debt service	-	-	-
Total disbursements	634,655	9,785	24,453
Excess (deficiency) of receipts over (under) disbursements	(115,300)	3,899	(349)
Other financing uses:			
Operating transfers out	-	-	-
Net change in cash balances	(115,300)	3,899	(349)
Cash balances beginning of year	210,207	(4,002)	2,328
Cash balances end of year	\$ 94,907	(103)	1,979
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 94,907	(103)	1,979
Total			

See accompanying independent auditor's report.

Special Revenue					
Fire Pension	Emergency	Tax Increment Financing	Economic Development Revolving Loan	Grant Matching	Total
17,535	438	-	-	-	506,277
-	-	124,486	-	-	124,486
320	-	-	-	-	9,058
3,623	-	199	1,177	-	6,042
-	-	-	-	-	59,058
21,478	438	124,685	1,177	-	704,921
15,390	-	-	-	-	383,796
-	-	-	-	-	147,300
-	-	-	-	-	64,584
-	-	38,807	-	-	38,807
-	-	-	-	-	88,603
-	-	101,562	-	-	101,562
15,390	-	140,369	-	-	824,652
6,088	438	(15,684)	1,177	-	(119,731)
-	(909)	(20,055)	-	-	(20,964)
6,088	(471)	(35,739)	1,177	-	(140,695)
151,536	471	59,223	123,823	45,616	589,202
157,624	-	23,484	125,000	45,616	448,507
157,624	-	23,484	125,000	45,616	448,507

Schedule 2

City of Atlantic

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

As of and for the year ended June 30, 2010

	Payroll Revolving	Medical Benefit Self Insurance	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$1,813,525	418,979	2,232,504
Operating disbursements:			
Governmental activities:			
Public safety	821,594	230,517	1,052,111
Public works	329,797	89,342	419,139
Culture and recreation	256,192	31,603	287,795
General government	229,692	47,554	277,246
Business type activities	176,250	44,336	220,586
Total operating disbursements	1,813,525	443,352	2,256,877
Deficiency of operating receipts under operating disbursements	-	(24,373)	(24,373)
Non-operating receipts:			
Interest on investments	-	1,330	1,330
Net change in cash balances	-	(23,043)	(23,043)
Cash balances beginning of year	-	380,548	380,548
Cash balances end of year	\$ -	357,505	357,505

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Economic development	Feb 1, 1994	4.75-7.00%	\$ 225,000
Airport improvement	Aug 1, 1999	4.40-5.20	150,000
Swimming pool improvement	Mar 1, 2001	4.40-5.40	700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Economic development	Sep 1, 2003	2.15-4.60	110,000
Street improvements	Jul 1, 2004	2.00-4.35	500,000
Corporate purpose	Feb 15, 2006	3.50-4.10	375,000
Corporate purpose	Aug 15, 2006	4.10-4.45	150,000
Total			
General obligation bonds:			
Corporate purpose	Nov 15, 2007	3.40-3.90%	\$ 1,560,000
Fire equipment	Jan 15, 2009	4.40-5.20	395,000
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1994	8.25-9.10%	\$ 145,000
Skyjack (TIF)	Dec 1, 1995	6.70-7.30	115,000
Skyjack (TIF)	Jun 1, 1997	7.65-8.15	90,000
Country Oaks Addition	Jul 1, 2001	4.30-5.20	200,000
North urban renewal business park	Mar 21, 2006	5.75	255,000
Total			
Revenue bonds:			
Local option sales and services tax	Sep 1, 1997	4.70-5.65%	\$ 300,000
Local option sales and services tax	Mar 1, 2004	4.80	1,000,000
Total			
Revenue notes:			
Sewer	Nov 12, 2009	0.00%	\$ 773,000
Atlantic Municipal Utilities note agreement:			
General obligation police and parks equipment	Mar 4, 2009	0.00%	\$ 51,231

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
20,000	-	20,000	-	1,400
20,000	-	20,000	-	1,040
450,000	-	55,000	395,000	23,392
640,000	-	180,000	460,000	31,070
130,000	-	30,000	100,000	4,518
60,000	-	10,000	50,000	2,582
270,000	-	50,000	220,000	11,003
235,000	-	35,000	200,000	9,153
120,000	-	20,000	100,000	5,190
\$ 1,945,000	-	420,000	1,525,000	89,348
1,115,000	-	225,000	890,000	40,875
365,000	-	-	365,000	16,240
\$ 1,480,000	-	225,000	1,255,000	57,115
15,000	-	15,000	-	1,365
25,000	-	10,000	15,000	1,460
10,000	-	10,000	-	815
75,000	-	25,000	50,000	3,825
193,000	-	23,000	170,000	11,097
\$ 318,000	-	83,000	235,000	18,562
105,000	-	25,000	80,000	5,857
879,540	-	37,786	841,754	42,218
\$ 984,540	-	62,786	921,754	48,075
-	657,762	-	657,762	-
-	51,231	51,231	-	-

City of Atlantic
Bond and Note Maturities
June 30, 2010

General Obligation Notes											
Year Ending June 30,	Swimming Pool Improvement			Corporate Purpose		Corporate Purpose		Economic Development		Street Improvements	
	Issued Mar 1, 2001			Issued Apr 1, 2002		Issued Apr 1, 2003		Issued Sep 1, 2003		Issued Jul 1, 2004	
	Interest			Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2011	5.05%	\$ 60,000	4.80%	\$ 150,000	3.40%	\$ 30,000	4.10%	\$ 10,000	3.90%	\$ 50,000	
2012	5.10	60,000	4.90	165,000	3.55	35,000	4.30	10,000	4.10	55,000	
2013	5.20	65,000	5.00	70,000	3.70	35,000	4.45	15,000	4.25	55,000	
2014	5.25	65,000	5.10	75,000	-	-	4.60	15,000	4.35	60,000	
2015	5.30	70,000	-	-	-	-	-	-	-	-	
2016	5.40	75,000	-	-	-	-	-	-	-	-	
2017	-	-	-	-	-	-	-	-	-	-	
2018	-	-	-	-	-	-	-	-	-	-	
2019	-	-	-	-	-	-	-	-	-	-	
2020	-	-	-	-	-	-	-	-	-	-	
2021	-	-	-	-	-	-	-	-	-	-	
2022	-	-	-	-	-	-	-	-	-	-	
2023	-	-	-	-	-	-	-	-	-	-	
2024	-	-	-	-	-	-	-	-	-	-	
2025	-	-	-	-	-	-	-	-	-	-	
Total		<u>\$ 395,000</u>		<u>\$ 460,000</u>		<u>\$ 100,000</u>		<u>\$ 50,000</u>		<u>\$ 220,000</u>	

General Obligation Bonds						Revenue Bonds						
Year Ending June 30,	Corporate Purpose		Fire Equipment			Skyjack (TIF)		Country Oaks Addition		North Urban Renewal Business Park		
	Issued Nov 15, 2007		Issued Jan. 15, 2009			Issued Dec 1, 1995		Issued Jul 1, 2001		Issued Mar 21, 2006		
	Interest		Interest			Interest		Interest		Interest		
	Rates	Amount	Rates	Amounts	Total	Rates	Amount	Rates	Amount	Rates	Amount	Total
2011	3.50%	\$ 115,000	-	\$ -	115,000	7.30%	\$ 15,000	5.10%	\$ 25,000	5.75%	\$ 24,500	64,500
2012	3.60	120,000	4.55%	110,000	230,000	-	-	5.20	25,000	5.75	26,000	51,000
2013	3.65	125,000	-	-	125,000	-	-	-	-	5.75	27,500	27,500
2014	3.70	130,000	-	-	130,000	-	-	-	-	5.75	29,000	29,000
2015	3.80	135,000	4.30	120,000	255,000	-	-	-	-	5.75	30,500	30,500
2016	3.85	140,000	-	-	140,000	-	-	-	-	5.75	32,500	32,500
2017	3.90	125,000	-	-	125,000	-	-	-	-	-	-	-
2018	-	-	4.50	135,000	135,000	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 890,000</u>		<u>\$ 365,000</u>	<u>1,255,000</u>		<u>\$ 15,000</u>		<u>\$ 50,000</u>		<u>\$ 170,000</u>	<u>235,000</u>

See accompanying independent auditor's report.

Corporate Purpose		Corporate Purpose		Total
Issued Feb 15, 2006		Issued Aug 15, 2006		
Interest		Interest		
Rates	Amount	Rates	Amount	
3.75%	\$ 35,000	4.25%	\$ 20,000	355,000
3.85	40,000	4.30	20,000	385,000
3.90	40,000	4.35	20,000	300,000
4.00	40,000	4.40	20,000	275,000
4.10	45,000	4.45	20,000	135,000
-	-	-	-	75,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 200,000</u>		<u>\$ 100,000</u>		<u>1,525,000</u>

Revenue Bonds					Revenue Notes		
Local Option Sales and Services Tax		Local Option Sales and Services Tax			Sewer		
Issued Sep 1, 1997		Issued Mar 1, 2004			Issued Nov 12, 2009		
Interest		Interest			Interest		
Rates	Amount	Rates	Amount	Total	Rates	Amount	Total
5.55%	\$ 25,000	4.80%	\$ 39,600	64,600	0.00%	\$ -	-
5.60	25,000	4.80	41,501	66,501	0.00	-	-
5.65	30,000	4.80	43,493	73,493	0.00	657,762	657,762
-	-	4.80	45,580	45,580	-	-	-
-	-	4.80	47,768	47,768	-	-	-
-	-	4.80	50,061	50,061	-	-	-
-	-	4.80	52,464	52,464	-	-	-
-	-	4.80	54,982	54,982	-	-	-
-	-	4.80	57,621	57,621	-	-	-
-	-	4.80	60,387	60,387	-	-	-
-	-	4.80	63,286	63,286	-	-	-
-	-	4.80	66,323	66,323	-	-	-
-	-	4.80	69,507	69,507	-	-	-
-	-	4.80	72,843	72,843	-	-	-
-	-	4.80	76,338	76,338	-	-	-
<u>\$ 80,000</u>		<u>\$ 841,754</u>			<u>921,754</u>	<u>657,762</u>	<u>657,762</u>

City of Atlantic

Schedule of Receipts By Source and Disbursement By Function -
All Governmental Funds

For the Last Ten Years

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 2,610,770	2,848,499	2,728,825	2,563,716
Tax increment financing	124,486	109,725	247,992	238,660
Local option sales tax	739,713	774,698	674,076	726,447
Other city tax	130,595	132,693	130,483	116,357
Licenses and permits	55,387	46,329	28,908	26,704
Use of money and property	65,980	115,318	159,049	171,874
Intergovernmental	1,739,197	1,625,672	2,745,491	4,085,700
Charges for service	50,054	39,586	37,908	38,493
Special assessments	-	-	-	-
Miscellaneous	351,292	738,535	276,775	476,955
Total	\$ 5,867,474	6,431,055	7,029,507	8,444,906
Disbursements:				
Operating:				
Public safety	\$ 1,917,127	1,929,247	2,128,960	1,951,333
Public works	1,444,231	1,516,690	1,460,714	1,131,099
Health and social services	9,700	11,993	9,998	-
Culture and recreation	505,058	539,893	518,574	553,493
Community and economic development	206,676	210,406	382,197	256,151
General government	514,114	521,550	505,944	499,782
Debt service	1,057,967	1,094,777	1,974,011	1,100,134
Capital projects	1,843,733	1,389,972	2,033,635	3,475,138
Total	\$ 7,498,606	7,214,528	9,014,033	8,967,130

See accompanying independent auditor's report.

2006	2005	2004	2003	2002	2001
2,439,308	2,377,815	2,330,119	2,342,037	2,018,353	1,933,724
158,355	212,041	177,535	178,049	132,195	163,000
582,645	533,772	616,797	542,490	503,297	436,593
113,038	119,718	120,772	118,233	84,095	90,279
29,882	26,464	27,075	19,802	18,572	19,343
135,334	74,608	61,512	80,735	116,095	172,681
3,622,092	2,603,514	1,670,043	2,119,797	899,730	1,084,953
41,544	33,986	52,715	45,899	44,919	48,656
729	7,624	10,858	12,909	12,260	15,425
454,504	497,487	1,305,812	2,135,906	462,629	412,381
7,577,431	6,487,029	6,373,238	7,595,857	4,292,145	4,377,035
1,965,094	1,468,009	1,199,522	1,199,427	1,228,883	1,126,155
1,194,866	977,604	1,120,237	937,371	737,446	777,057
12,385	21,873	2,980	-	2,411	3,374
423,996	405,853	421,150	430,953	360,410	366,234
494,547	121,653	103,790	100,569	229,574	290,920
456,453	429,838	429,845	438,215	391,533	365,498
1,079,642	1,239,380	2,042,651	1,118,732	883,710	786,226
3,213,291	2,885,382	3,574,090	4,297,777	2,809,890	1,075,539
8,840,274	7,549,592	8,894,265	8,523,044	6,643,857	4,791,003

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2011. Our report was modified to include a reference to another auditor. 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. Another auditor audited the financial statements of the Atlantic Municipal Utilities, a discretely presented component unit, as described in our report on the City of Atlantic's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atlantic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Atlantic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as items (C), (D), (E) and (F) to be significant deficiencies.

Compliance and Other Matters

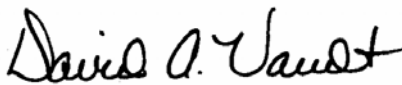
As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2010 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.

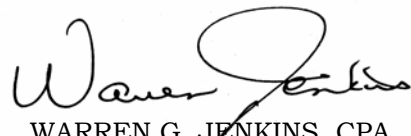
The City of Atlantic's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Atlantic's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Atlantic 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 5, 2011

City of Atlantic
Schedule of Findings
Year ended June 30, 2010

Findings Related to the Financial Statements:

SIGNIFICANT 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. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.

In addition, an independent person does not enter payroll rates and testing of the rates is not retained by the City.

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

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response accepted.

- (B) Financial Reporting – We identified a material amount of receipts improperly posted to the Capital Projects Fund rather than the General Fund. An adjustment was subsequently made to the City's financial statements to properly record the transaction.

Recommendation – The City should ensure receipts are properly recorded in the financial statements.

Response – The City will ensure receipts are properly recorded in the financial statements.

Conclusion – Response accepted.

- (C) Storm Water Utility Reconciliations – Although the City reconciles billings, collections and balances, the reconciliations are not reviewed by an independent person and monthly variances ranging from \$4,950 to \$6,925 for the year were not resolved.

Recommendations – The City's storm water utility reconciliations should be reviewed by someone independent of collecting, recording and reconciling utility collections. Variances identified in the reconciliations should be resolved timely.

City of Atlantic

Schedule of Findings

Year ended June 30, 2010

Response – The variances showing the City collected from \$4,950 to \$6,925 more in fees than what were billed was due to the duplication of the reporting of the delinquent storm water collections and not reporting additional late charges billed each month. An independent person will begin reviewing the billings, collections and balances.

Conclusion – Response accepted.

- (D) Service Organization – The Atlantic Municipal Utilities (AMU) bills, collects and remits sewer receipts to the City of Atlantic.

The City has not established procedures to determine AMU is billing, collecting and remitting all sewer receipts to the City.

Recommendation – The City should obtain a reconciliation of billings, collections and balances or other documentation from AMU to assure the City is receiving all required sewer receipts.

Response – The City will work with officials of AMU to obtain documentation which reconciles the billing, collections and balances for sewer receipts.

Conclusion – Response accepted.

- (E) Financial Condition – The Special Revenue, Cafeteria Plan Fund had a deficit balance of \$103 at June 30, 2010.

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

Response – The City will transfer funds from the Special Revenue, Employee Benefits Fund to the Special Revenue, Cafeteria Plan Fund to eliminate any deficit balances which may occur at the end of the fiscal year.

Conclusion – Response accepted.

- (F) Electronic Data Processing Systems – The City does not have written policies for requiring changes to passwords every 60 to 90 days.

Recommendation – The City should develop a written policy requiring changes to passwords every 60 to 90 days.

Response – The City will develop a written policy requiring changes to passwords every 60 to 90 days.

Conclusion – Response accepted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2010

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (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:

Name, Title and Business Connection	Transaction Description	Amount
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Olive Street Project, per bid	\$ 12,911
	East Ridge Project, per bid	83,669
	Hot Mix Asphalt, per bid	77,063
	Cold patch asphalt	6,418

In accordance with Chapter 362.5(4) of the Code of Iowa, the Olive Street Project, East Ridge Project and hot mix asphalt transactions with the Airport Commissioner do not appear to represent conflicts of interest since they were competitively bid.

In accordance with Chapter with Chapter 362.5(10) of the Code of Iowa, the cold patch asphalt purchased by the City may represent a conflict of interest since the total transaction exceeded \$1,500 during the year and the transaction was not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – In the future, the City will seek competitive bids for the purchase of cold patch asphalt.

Conclusion – Response acknowledged. In addition, the City should consult legal counsel.

- (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 ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2010

- (8) Revenue Bonds and Notes – No instances of non-compliance with provisions of the revenue bond and note resolutions were noted.
- (9) Economic Development – The City provides funding to Cass/Atlantic Economic Development and to the Atlantic Chamber of Commerce. In accordance with Chapter 15A of the Code of Iowa, the City should be providing oversight of these funds to determine the funds are being spent in accordance with the agreement and expenses meet the test of public purpose.

For the fiscal year ending June 30, 2010, there was no evidence of City oversight of funds provided for economic development.

Recommendation – The City should establish procedures for oversight of funds disbursed in accordance with Chapter 15A of the Code of Iowa.

Response – The City will ask for documentation from the Atlantic Chamber of Commerce and Cass/Atlantic Economic Development to determine the funds are being spent in accordance with the agreement and disbursements meet the test of public purpose.

Conclusion – Response accepted.

City of Atlantic

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Donald J. Lewis, CPA, Senior Auditor
Keith C. Kistenmacher, Staff Auditor
Laura E. Grinnell, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State