



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 11, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Atlantic, Iowa.

The City's receipts totaled \$19,793,068 for the year ended June 30, 2013, a 21.6% increase over the prior year. The receipts included \$3,539,528 in property tax, \$86,689 from tax increment financing, \$1,868,773 from charges for service, \$1,742,419 from operating grants, contributions and restricted interest, \$634,511 from capital grants, contributions and restricted interest, \$831,635 from local option sales tax, \$59,401 from hotel/motel tax, \$2,558 from unrestricted interest on investments, \$10,674,752 from general obligation and sewer revenue bond proceeds and \$352,802 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$14,481,013, a 26% decrease from the prior year, and included \$4,337,072 for capital projects, \$2,145,150 for public safety and \$1,467,856 for public works. Also, disbursements for business type activities totaled \$3,554,983. The significant decrease in disbursements is primarily due to higher construction costs in the prior year for the wastewater treatment plant.

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/1320-0128-B00F.pdf>.

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**CITY OF ATLANTIC**

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

**JUNE 30, 2013**

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**City of Atlantic**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
David R. Jones	Mayor	Jan 2014
Steve Livengood	Council Member	Jan 2014
Shawn Shouse	Council Member	Jan 2014
Kathy Somers	Council Member	Jan 2014
Dana Halder	Council Member	Jan 2016
Linda Hartkopf	Council Member	Jan 2016
Ashley Hayes	Council Member	Jan 2016
Chris Jimerson	Council Member	Jan 2016
Doug Harris	Administrator	Indefinite
Deb Wheatley Field	City Clerk/Treasurer	Jan 2014
David L. Wiederstein	Attorney	Jan 2014

**City of Atlantic**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

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

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

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Atlantic as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atlantic's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 14 and 36 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2014 on our consideration of the City of Atlantic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Atlantic's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2014

**City of Atlantic**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 11.6%, or approximately \$1,316,000, in fiscal year 2013 from fiscal year 2012. Bond and note proceeds decreased approximately \$2,247,000 while capital grants, contributions and restricted interest increased approximately \$372,000 and property tax increased approximately \$307,000.
- Disbursements of the City's governmental activities increased 9.1%, or approximately \$911,000, in fiscal year 2013 from fiscal year 2012. Capital projects and public safety function disbursements increased approximately \$828,000 and \$461,000, respectively, while disbursements for refunding general obligation notes decreased approximately \$655,000.
- The City's total cash basis net assets increased 125.6%, or approximately \$5,312,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$8,000 and the cash basis net position of the business type activities increased approximately \$5,320,000.

### **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 Cash Basis Statement of Activities and Net Position. 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 financial 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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds, the Internal Service Funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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, Employee Benefits 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 the 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.

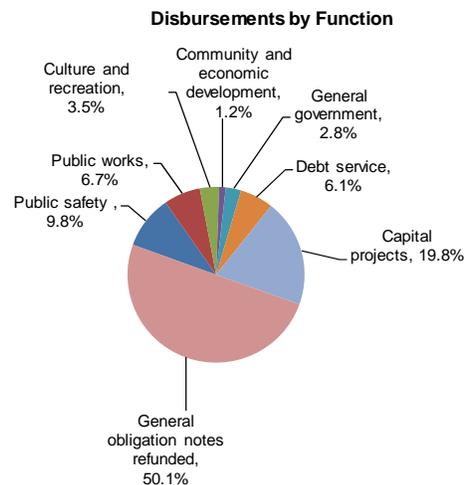
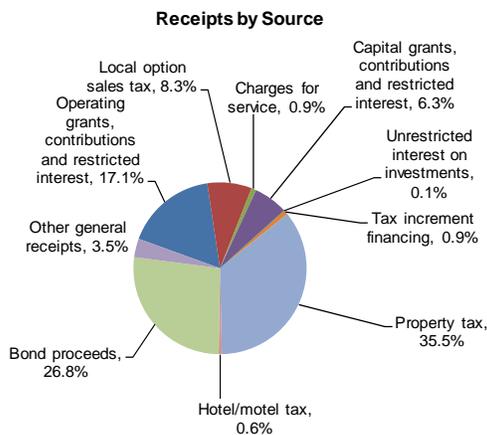
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position 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 \$7.427 million to approximately \$7.419 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 88	\$ 85
Operating grants, contributions and restricted interest	1,709	1,426
Capital grants, contributions and restricted interest	635	263
General receipts:		
Property tax	3,539	3,232
Tax increment financing	87	86
Local option sales tax	832	813
Hotel/motel tax	59	62
Unrestricted interest on investments	2	5
Bond proceeds	2,677	4,924
Other general receipts	353	401
<b>Total receipts</b>	<b>9,981</b>	<b>11,297</b>
<b>Disbursements:</b>		
Public safety	2,145	1,684
Public works	1,468	1,252
Health and social services	-	12
Culture and recreation	757	790
Community and economic development	269	245
General government	611	578
Debt service	1,339	1,290
Capital projects	4,337	3,509
General obligation notes refunded	-	655
<b>Total disbursements</b>	<b>10,926</b>	<b>10,015</b>
Change in cash basis net position before transfers	(945)	1,282
Transfers	937	280
Change in cash basis net position	(8)	1,562
Cash basis net position beginning of year	7,427	5,865
Cash basis net position end of year	\$ 7,419	\$ 7,427



The City's total receipts for governmental activities decreased 11.6%, or approximately \$1,316,000. The total cost of all programs and services increased approximately \$911,000, or 9.1%, with no new programs added this year. The significant decrease in receipts was primarily the result of a reduced amount of bond proceeds received compared to the prior year.

The City increased property tax rates for fiscal year 2013 an average of 3.8%. This increase in property tax rates increased the City's property tax receipts approximately \$307,000 in fiscal year 2013. Property tax receipts are budgeted to increase approximately \$195,000 next year.

The cost of all governmental activities this year was approximately \$10.93 million compared to approximately \$10.02 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was only approximately \$8.5 million because some of the cost was paid by those directly benefited from the programs (approximately \$88,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,344,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$1,774,000 to approximately \$2,432,000, principally due to receiving grant proceeds in fiscal year 2013 to complete airport projects.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 187	189
Sewer	1,594	1,517
Operating grants, contributions and restricted interest	33	62
Capital grants, contributions and restricted interest	-	409
Bond proceeds	7,998	2,797
Total receipts	<u>9,812</u>	<u>4,974</u>
Disbursements:		
Storm water	113	88
Sewer	3,442	9,486
Total disbursements	<u>3,555</u>	<u>9,574</u>
Change in cash basis net position before transfers	6,257	(4,600)
Transfers	(937)	(280)
Change in cash basis net position	5,320	(4,880)
Cash basis net position beginning of year	(3,200)	1,680
Cash basis net position end of year	<u>\$ 2,120</u>	<u>(3,200)</u>

Total business type activities receipts for the fiscal year were approximately \$9,812,000 compared to approximately \$4,974,000 last year. This increase was due primarily to sewer revenue bond proceeds of approximately \$7,998,000. Total disbursements for the fiscal year decreased to approximately \$3,555,000 due to construction costs of approximately \$8.89 million in fiscal year 2012 for the wastewater treatment plant project. The cash balance increased approximately \$5.3 million from the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of approximately \$7,272,000, an increase of approximately \$120,000 above last year's total of approximately \$7,152,000. 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 increased \$71,643 over the prior year to \$1,808,631. This increase was due to property tax collections increasing approximately \$99,000.
- The Special Revenue, Road Use Tax Fund cash balance increased \$51,132 over the prior year to \$509,884. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Special Revenue, Employee Benefits Fund cash balance increased \$41,138 to \$151,150. The City intends to use this money to continue funding employee benefits.
- The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, economic development and recreation. This cash balance increased \$32,203 over the prior year to \$184,327.
- The Debt Service Fund cash balance increased \$223,248 over the prior year to \$362,207 at the end of the fiscal year.
- The Capital Projects Fund cash balance decreased \$309,568 to \$4,021,734 at the end of the fiscal year. The decrease was due primarily to increases in capital projects disbursements for street and City projects, including an airport project, offset by approximately \$2.7 million of general obligation corporate purpose bond proceeds.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. The cash balance decreased \$246,853 from the prior year to \$179,313.
- The Enterprise, Sewer Fund cash balance increased \$5,585,724 over the prior year to \$1,934,825. The increase is primarily due to drawing available State Revolving Fund loan funds from the Iowa Finance Authority for the wastewater treatment plant.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 15, 2013 and resulted in an increase of \$4,131,200 in budgeted operating disbursements, which included an increase of \$3,806,000 in budgeted capital project disbursements for capital improvement projects budgeted in fiscal year 2012 but not spent until fiscal year 2013.

The City's receipts were \$31,664 more than budgeted.

With the budget amendment, total disbursements were \$3,512,100 less than the amended budget. Actual disbursements for the capital projects and the business type activities functions were \$2,164,128 and \$705,271, respectively, less than the amended budget. This was primarily due to slower than anticipated progress on street improvement and sewer relining projects.

Disbursements for the capital projects function exceeded the amount budgeted prior to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$22,863,445 of bonds and other long-term debt outstanding, compared to \$13,527,508 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 10,680,000	8,930,000
Tax increment financing (TIF) revenue bonds	92,000	119,500
Local option sales and services tax revenue bonds	717,160	790,653
Sewer revenue bonds	11,374,285	3,687,355
Total	\$ 22,863,445	13,527,508

Debt increased as a result of issuing general obligation corporate purpose bonds of \$2,720,000 and drawing an additional \$7,997,930 of sewer revenue bond proceeds 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 bonds, TIF and local option sales and services tax (LOST) revenue debt of \$11,740,352 (including \$251,192 of development and rebate agreements) is below its constitutional debt limit of \$15,937,745. 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 2014 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$8.8 million, a decrease of 5% from the final fiscal year 2013 budget. Budgeted disbursements are expected to decrease approximately \$5.9 million, or 33%. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$3.3 million by the close of fiscal year 2014.

## 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 4<sup>th</sup> Street, City of Atlantic, Iowa.

## **Basic Financial Statements**

City of Atlantic

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
Governmental activities:				
Public safety	\$ 2,145,150	22,265	67,648	-
Public works	1,467,856	-	1,185,695	-
Culture and recreation	757,216	26,668	175,986	-
Community and economic development	268,794	1,035	19,771	-
General government	611,376	38,293	260,151	-
Debt service	1,338,566	-	-	-
Capital projects	4,337,072	-	-	634,511
Total governmental activities	10,926,030	88,261	1,709,251	634,511
Business type activities:				
Storm water	112,833	186,457	637	-
Sewer	3,442,150	1,594,055	32,531	-
Total business type activities	3,554,983	1,780,512	33,168	-
Total	\$ 14,481,013	1,868,773	1,742,419	634,511

**General Receipts and Transfers:**

Property and other city tax levied for:

    General purposes

    Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted interest on investments

Bond proceeds, net of \$47,740 of discount and fees and \$4,562 of premium

Sewer revenue bond proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

    Streets

    Local option sales tax

    Debt service

    Capital projects

    Tax increment financing

    Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(2,055,237)	-	(2,055,237)
(282,161)	-	(282,161)
(554,562)	-	(554,562)
(247,988)	-	(247,988)
(312,932)	-	(312,932)
(1,338,566)	-	(1,338,566)
(3,702,561)	-	(3,702,561)
(8,494,007)	-	(8,494,007)

-	74,261	74,261
-	(1,815,564)	(1,815,564)
-	(1,741,303)	(1,741,303)
(8,494,007)	(1,741,303)	(10,235,310)

2,670,761	-	2,670,761
868,767	-	868,767
86,689	-	86,689
831,635	-	831,635
59,401	-	59,401
2,558	-	2,558
2,676,822	-	2,676,822
-	7,997,930	7,997,930
352,802	-	352,802
936,593	(936,593)	-
8,486,028	7,061,337	15,547,365
(7,979)	5,320,034	5,312,055
7,427,538	(3,199,738)	4,227,800
\$ 7,419,559	2,120,296	9,539,855

\$ 509,884	-	509,884
144,325	-	144,325
402,209	55,265	457,474
4,021,734	-	4,021,734
19,128	-	19,128
366,246	-	366,246
1,956,033	2,065,031	4,021,064
\$ 7,419,559	2,120,296	9,539,855

City of Atlantic

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 1,725,868	-	776,295	-
Tax increment financing	-	-	-	-
Local option sales tax	186,119	-	-	314,557
Other city tax	174,614	-	11,595	-
Licenses and permits	38,275	-	-	3,000
Use of money and property	62,771	-	-	-
Intergovernmental	779,754	681,087	-	-
Charges for service	48,828	-	-	-
Miscellaneous	393,088	8,622	38,062	32,327
Total receipts	3,409,317	689,709	825,952	349,884
<b>Disbursements:</b>				
Operating:				
Public safety	1,592,931	-	411,819	-
Public works	464,976	731,402	181,791	42,993
Culture and recreation	646,848	-	91,126	-
Community and economic development	144,391	-	-	92,866
General government	468,803	-	91,001	20,123
Debt service	-	-	-	111,699
Capital projects	-	-	-	-
Total disbursements	3,317,949	731,402	775,737	267,681
Excess (deficiency) of receipts over (under) disbursements	91,368	(41,693)	50,215	82,203
<b>Other financing sources (uses):</b>				
Bond proceeds, net of \$47,740 of discount and fees and \$4,562 of premium	-	-	-	-
Operating transfers in	152,500	162,825	-	-
Operating transfers out	(172,225)	(70,000)	(9,077)	(50,000)
Total other financing sources (uses)	(19,725)	92,825	(9,077)	(50,000)
Change in cash balances	71,643	51,132	41,138	32,203
Cash balances beginning of year	1,736,988	458,752	110,012	152,124
Cash balances end of year	\$ 1,808,631	509,884	151,150	184,327
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	509,884	-	-
Local option sales tax	-	-	-	144,325
Debt service	-	-	-	40,002
Capital projects	-	-	-	-
Tax increment financing	-	-	-	-
Other purposes	-	-	151,150	-
Assigned for fire station	122,444	-	-	-
Unassigned	1,686,187	-	-	-
Total cash basis fund balances	\$ 1,808,631	509,884	151,150	184,327

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
856,132	-	41,172	3,399,467
-	-	86,689	86,689
-	330,959	-	831,635
12,635	-	618	199,462
-	-	-	41,275
-	-	1,262	64,033
-	626,716	-	2,087,557
-	-	-	48,828
-	7,795	-	479,894
<u>868,767</u>	<u>965,470</u>	<u>129,741</u>	<u>7,238,840</u>
-	-	43,817	2,048,567
-	-	-	1,421,162
-	-	-	737,974
-	-	31,537	268,794
-	-	-	579,927
1,192,496	-	34,371	1,338,566
-	4,337,072	-	4,337,072
<u>1,192,496</u>	<u>4,337,072</u>	<u>109,725</u>	<u>10,732,062</u>
<u>(323,729)</u>	<u>(3,371,602)</u>	<u>20,016</u>	<u>(3,493,222)</u>
-	2,676,822	-	2,676,822
596,977	647,712	-	1,560,014
(50,000)	(262,500)	(9,619)	(623,421)
<u>546,977</u>	<u>3,062,034</u>	<u>(9,619)</u>	<u>3,613,415</u>
223,248	(309,568)	10,397	120,193
138,959	4,331,302	223,827	7,151,964
<u>362,207</u>	<u>4,021,734</u>	<u>234,224</u>	<u>7,272,157</u>
-	-	-	509,884
-	-	-	144,325
362,207	-	-	402,209
-	4,021,734	-	4,021,734
-	-	19,128	19,128
-	-	215,096	366,246
-	-	-	122,444
-	-	-	1,686,187
<u>362,207</u>	<u>4,021,734</u>	<u>-</u>	<u>7,272,157</u>

**City of Atlantic**

City of Atlantic

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

As of and for the year ended June 30, 2013

<b>Total governmental funds cash balances (page 19)</b>	\$ 7,272,157
<b><i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
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 Cash Basis Statement of Activities and Net Position.	147,402
	<u>147,402</u>
<b>Cash basis net position of governmental activities (page 17)</b>	<u>\$ 7,419,559</u>
<b>Change in cash balances (page 19)</b>	\$ 120,193
<b><i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
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 the cash balance of the Internal Service Funds is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	(128,172)
	<u>(128,172)</u>
<b>Change in cash basis net position of governmental activities (page 17)</b>	<u>\$ (7,979)</u>

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, 2013

	Enterprise			Internal Service
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 186,457	1,594,055	1,780,512	2,524,278
Miscellaneous	-	22,857	22,857	-
Total operating receipts	186,457	1,616,912	1,803,369	2,524,278
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,161,429
Public works	-	-	-	470,370
Culture and recreation	-	-	-	333,917
General government	-	-	-	389,361
Business type activities	112,833	649,044	761,877	316,231
Total operating disbursements	112,833	649,044	761,877	2,671,308
Excess (deficiency) of operating receipts over (under) operating disbursements	73,624	967,868	1,041,492	(147,030)
Non-operating receipts (disbursements):				
Bond proceeds	-	7,997,930	7,997,930	-
Interest on investments	637	-	637	21
Debt service	-	(480,332)	(480,332)	-
Capital projects	-	(2,284,263)	(2,284,263)	-
Net non-operating receipts (disbursements)	637	5,233,335	5,233,972	21
Excess (deficiency) of receipts over (under) disbursements	74,261	6,201,203	6,275,464	(147,009)
Operating transfers in	-	9,077	9,077	
Operating transfers out	(321,114)	(624,556)	(945,670)	-
Total transfers in (out)	(321,114)	(615,479)	(936,593)	-
Change in cash balances	(246,853)	5,585,724	5,338,871	(147,009)
Cash balances beginning of year	426,166	(3,650,899)	(3,224,733)	300,569
Cash balances end of year	\$ 179,313	1,934,825	2,114,138	153,560
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	55,265	55,265	-
Unrestricted	179,313	1,879,560	2,058,873	153,560
Total cash basis fund balances	\$ 179,313	1,934,825	2,114,138	153,560

See notes to financial statements.

City of Atlantic

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

As of and for the year ended June 30, 2013

<b>Total enterprise funds cash balances (page 22)</b>	\$ 2,114,138
<b><i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
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 Position.	6,158
	<u>6,158</u>
<b>Cash basis net position of business type activities (page 17)</b>	<u>\$ 2,120,296</u>
<b>Change in cash balances (page 22)</b>	\$ 5,338,871
<b><i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
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.	(18,837)
	<u>(18,837)</u>
<b>Change in cash basis net position of business type activities (page 17)</b>	<u>\$ 5,320,034</u>

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2013

**(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.

The financial statements do not include financial data for the Atlantic Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded 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 forth by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax receipts used for payment of employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its use for purposes designated on the ballot which authorized the tax.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's 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 Enterprise, Storm Water Fund accumulates funds to be used for storm water management and flood protection.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function prior to adoption of the budget amendment.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Bonds Payable**

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

Year Ending June 30,	General		Tax Increment Financing (TIF) Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2014	\$ 1,065,000	222,138	29,000	5,290	45,580	34,424	1,139,580
2015	1,130,000	208,454	30,500	3,623	47,768	32,236	1,208,268	244,313
2016	695,000	192,409	32,500	1,869	50,061	29,943	777,561	224,221
2017	635,000	177,432	-	-	52,464	27,540	687,464	204,972
2018	640,000	163,124	-	-	54,982	25,022	694,982	188,146
2019-2023	3,520,000	627,812	-	-	317,124	82,896	3,837,124	710,708
2024-2028	2,995,000	200,368	-	-	149,181	10,825	3,144,181	211,193
Total	\$ 10,680,000	1,791,737	92,000	10,782	717,160	242,886	11,489,160	2,045,405

General Obligation Bonds - On May 30, 2013, the City issued \$2,720,000 of general obligation corporate purpose bonds for the purpose of financing construction of improvements to streets and storm sewers, financing improvements and repairs to City Hall, the municipal salt shed and the senior center, making a grant to Iowa Western Community College for building improvements and the acquisition of traffic control devices and equipment for the police and street departments. The bonds bear interest at .25% to 2.50% per annum and mature June 1, 2028.

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 property tax 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 \$1,000,000 of local option sales and services tax revenue bonds issued in March 2004. Proceeds from the bonds provided financing for the cost of 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 2025. Annual principal and interest payments on the bonds are expected to require approximately 10% of net receipts. The total principal and interest remaining to be paid on the bonds is \$960,046. For the current year, principal and interest paid and total collections were \$80,004 and \$831,635, 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 resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales and services tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales and services tax revenue bond sinking account shall be established to account for 15% of the local option sales and services tax 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.

During the year ended June 30, 2013, the City was in compliance with the bond provisions.

Sewer Revenue Bonds – On June 24, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) through the State Revolving Fund Loan program for the issuance of up to \$11,717,000 of sewer revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing improvements and extensions to the municipal sanitary sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. During the year ended June 30, 2013, \$7,997,930 of proceeds were received and used to finance the wastewater treatment plant construction.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts. The total amount of principal and interest remaining to be paid on the bonds at June 30, 2013 is not available since a final repayment schedule has not been adopted.

The resolution providing for the issuance of the sewer revenue bonds issued under the loan agreement includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments of principal and interest on the bonds falling due in the same 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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$165,633, \$148,760 and \$128,455, 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 50% of the monthly salary at retirement or disability and 25% 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, retirees and their spouses. There are 35 active and 3 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 \$544 to \$584 for single coverage and \$1,329 to \$1,414 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$468,878 and plan members eligible for benefits contributed \$48,031 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave 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. These employees will receive a payout of one-half the total accumulated sick hours, up to 240 hours, upon retirement only. The City’s approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 103,000
Sick leave	28,000
Compensatory time	36,000
Total	<u>\$ 167,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 35,000
	Capital Projects	12,500
	Enterprise:	
	Storm Water	30,000
	Sewer	75,000
		<u>152,500</u>
Special Revenue:	General	12,825
Road Use Tax	Capital Projects	150,000
		<u>162,825</u>
Debt Service	General	91,400
	Special Revenue:	
	Tax Increment Financing	9,619
	Capital Projects	100,000
	Enterprise:	
	Storm Water	79,014
	Sewer	316,944
		<u>596,977</u>
Capital Projects	General	68,000
	Special Revenue:	
	Local Option Sales Tax	50,000
	Road Use Tax	35,000
	Debt Service	50,000
	Enterprise:	
	Storm Water	212,100
	Sewer	232,612
		<u>647,712</u>
Enterprise:	Special Revenue:	
Sewer	Employee Benefits	9,077
Total		<u>\$ 1,569,091</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 of 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 679 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 at a level determined by the Board not to exceed 300% 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 expenditures 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, 2013 were \$115,213.

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. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, 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 claim 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% of its capital casualty contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and 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 in the amount of \$1,000,000 and \$5,000,000, respectively. 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) Development Agreements**

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

The City agreed to rebate 100% of the incremental property tax paid by the developer, minus the amount of debt service tax levied by the taxing jurisdictions and the physical plant and equipment tax levied by school districts, in exchange for construction of infrastructure by the developer. The incremental property 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, 2013, the City paid the developer \$18,787 of principal. The outstanding principal balance of the agreement at June 30, 2013 is \$77,306.

The City agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the construction of a furniture store. The incremental property 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, 2013, the City paid the developer \$5,000 of principal. There is no outstanding principal balance for the agreement at June 30, 2013.

The City entered into an agreement with a developer regarding certain property on which the developer is constructing a residential subdivision. A portion of the incremental property 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, with the total amount rebated not to exceed \$240,000, including interest. The agreement includes two phases. The first phase calls for the City to provide the developer a grant not to exceed \$100,000. The second phase allows for a rebate of incremental property tax, not to exceed \$140,000, including interest. During the year ended June 30, 2011, the City disbursed \$100,000 under the agreement. During the year ended June 30, 2013, the City rebated \$6,000 under the agreement. The outstanding principal balance of the rebate agreement at June 30, 2013 is \$134,000.

The City entered into a development agreement on June 15, 2011 to assist an urban renewal project. The agreement requires the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of a hotel. The incremental property 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 nine years beginning June 1, 2014 and annually thereafter until June 1, 2022. The total amount rebated shall not exceed \$41,000. In addition, the agreement provided the developer a \$125,000 grant. During the year ended June 30, 2011, the City disbursed \$125,000 under the agreement. The outstanding principal balance of the rebate agreement at June 30, 2013 is \$41,000.

The City entered into a development agreement on November 20, 2012 to assist an urban renewal project. The City agreed to rebate 45% of the incremental property tax paid by the developer in exchange for improvements to the property including paving the parking areas and providing suitable landscaping. The incremental property 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 June 1, 2013. The total amount rebated shall not exceed \$35,000. During the year ended June 30, 2013, very few improvements had been made and no incremental property tax was paid to the developer.

**(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 Paradigm Benefits. 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 Paradigm Benefits from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2013 was \$468,878.

**(11) Construction Commitments**

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2013. The unpaid contract balances at June 30, 2013 total \$2,858,083.

## **Other 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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 3,399,467	-	-
Tax increment financing	86,689	-	-
Other city tax	1,031,097	-	-
Licenses and permits	41,275	-	-
Use of money and property	64,033	658	21
Intergovernmental	2,087,557	-	-
Charges for service	48,828	4,304,790	2,524,278
Miscellaneous	479,894	22,857	-
Total receipts	7,238,840	4,328,305	2,524,299
<b>Disbursements:</b>			
Public safety	2,048,567	1,161,429	1,161,429
Public works	1,421,162	470,370	470,370
Health and social services	-	-	-
Culture and recreation	737,974	333,917	333,917
Community and economic development	268,794	-	-
General government	579,927	389,361	389,361
Debt service	1,338,566	-	-
Capital projects	4,337,072	-	-
Business type activities	-	3,842,703	316,231
Total disbursements	10,732,062	6,197,780	2,671,308
Excess (deficiency) of receipts over (under) disbursements	(3,493,222)	(1,869,475)	(147,009)
Other financing sources (uses), net	3,613,415	7,061,337	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	120,193	5,191,862	(147,009)
Balances beginning of year	7,151,964	(2,924,164)	300,569
Balances end of year	\$ 7,272,157	2,267,698	153,560

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
3,399,467	3,382,554	3,382,554	16,913
86,689	78,984	78,984	7,705
1,031,097	948,189	1,020,189	10,908
41,275	22,500	22,500	18,775
64,670	80,182	80,182	(15,512)
2,087,557	1,731,950	1,970,950	116,607
1,829,340	1,740,000	1,830,000	(660)
502,751	528,423	625,823	(123,072)
<u>9,042,846</u>	<u>8,512,782</u>	<u>9,011,182</u>	<u>31,664</u>
2,048,567	1,963,719	2,137,719	89,152
1,421,162	1,552,791	1,608,291	187,129
-	11,500	11,500	11,500
737,974	975,527	975,527	237,553
268,794	248,190	318,590	49,796
579,927	642,788	642,788	62,861
1,338,566	1,908,976	1,343,276	4,710
4,337,072	2,695,200	6,501,200	2,164,128
3,526,472	3,640,743	4,231,743	705,271
<u>14,258,534</u>	<u>13,639,434</u>	<u>17,770,634</u>	<u>3,512,100</u>
(5,215,688)	(5,126,652)	(8,759,452)	3,543,764
<u>10,674,752</u>	<u>5,056,109</u>	<u>10,890,409</u>	<u>(215,657)</u>
5,459,064	(70,543)	2,130,957	3,328,107
3,927,231	3,714,276	3,714,276	212,955
<u>9,386,295</u>	<u>3,643,733</u>	<u>5,845,233</u>	<u>3,541,062</u>

City of Atlantic

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. 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 \$4,131,200. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function prior to the budget amendment.

## **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, 2013

	Police Pension	Special Fire Pension
Receipts:		
Property tax	\$ 27,702	13,470
Tax increment financing	-	-
Other city tax	416	202
Use of money and property	-	1,262
Total receipts	<u>28,118</u>	<u>14,934</u>
Disbursements:		
Operating:		
Public safety	26,369	17,448
Community and economic development	-	-
Debt service	-	-
Total disbursements	<u>26,369</u>	<u>17,448</u>
Excess (deficiency) of receipts over (under) disbursements	1,749	(2,514)
Other financing sources (uses):		
Operating transfers out	-	-
Change in cash balances	1,749	(2,514)
Cash balances beginning of year	1,030	169,215
Cash balances end of year	<u>\$ 2,779</u>	<u>166,701</u>
<b>Cash Basis Fund Balances</b>		
Restricted for:		
Tax increment financing	\$ -	-
Other purposes	2,779	166,701
Total cash basis fund balance	<u>\$ 2,779</u>	<u>166,701</u>

See accompanying independent auditor's report.

Revenue		
Tax Increment Financing	Grant Matching	Total
-	-	41,172
86,689	-	86,689
-	-	618
-	-	1,262
86,689	-	129,741
-	-	43,817
31,537	-	31,537
34,371	-	34,371
65,908	-	109,725
20,781	-	20,016
(9,619)	-	(9,619)
11,162	-	10,397
7,966	45,616	223,827
19,128	45,616	234,224
19,128	-	19,128
-	45,616	215,096
19,128	45,616	234,224

**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, 2013

	Payroll Revolving	Medical Benefit Self Insurance	Cafeteria Plan	Total
Operating receipts:				
Charges for service:				
Personal service costs from operating funds	\$ 1,966,632	544,326	13,320	2,524,278
Operating disbursements:				
Governmental activities:				
Public safety	858,422	300,111	2,896	1,161,429
Public works	325,319	145,051	-	470,370
Culture and recreation	271,995	59,830	2,092	333,917
General government	285,674	97,850	5,837	389,361
Business type activities	225,222	88,630	2,379	316,231
Total operating disbursements	1,966,632	691,472	13,204	2,671,308
Deficiency of operating receipts under operating disbursements	-	(147,146)	116	(147,030)
Non-operating receipts:				
Interest on investments	-	21	-	21
Change in cash balances	-	(147,125)	116	(147,009)
Cash balances beginning of year	-	300,569	-	300,569
Cash balances end of year	\$ -	153,444	116	153,560

See accompanying independent auditor's report.

**City of Atlantic**

City of Atlantic  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Fire equipment	Jan 15, 2009	4.40-5.20%	\$ 395,000
Refunding	Oct 26, 2010	0.70-1.85	1,610,000
Corporate purpose	Apr 27, 2011	2.50-3.70	3,100,000
Corporate purpose and refunding	Mar 28, 2012	1.10-2.50	4,950,000
Corporate purpose	May 30, 2013	0.25-2.50	2,720,000
Total			
Tax increment financing (TIF) revenue bonds:			
North urban renewal business park	Mar 21, 2006	5.75%	\$ 255,000
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
Sewer	Jun 24, 2011	3.00 *	11,717,000
Total			

\* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
255,000	-	40,000	215,000	11,235
790,000	-	315,000	475,000	10,118
2,935,000	-	100,000	2,835,000	89,394
4,950,000	-	515,000	4,435,000	110,700
-	2,720,000	-	2,720,000	-
<u>\$ 8,930,000</u>	<u>2,720,000</u>	<u>970,000</u>	<u>10,680,000</u>	<u>221,447</u>
119,500	-	27,500	92,000	6,871
30,000	-	30,000	-	1,695
760,653	-	43,493	717,160	36,511
3,687,355	7,997,930	311,000	11,374,285	140,040
<u>\$ 4,478,008</u>	<u>7,997,930</u>	<u>384,493</u>	<u>12,091,445</u>	<u>178,246</u>

**City of Atlantic**

## City of Atlantic

## Bond Maturities

June 30, 2013

General Obligation Bonds											
Year Ending June 30,	Fire Equipment		Refunding		Corporate Purpose		Corporate Purpose Refunding		Corporate Purpose		Total
	Issued Jan 15, 2009	Issued Oct 26, 2010	Issued Apr 27, 2011	Issued Mar 28, 2012	Issued May 30, 2013						
	Interest		Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2014	4.30%	\$ 40,000	1.20%	\$ 280,000	2.500%	\$ 100,000	2.00%	\$ 245,000	0.25%	\$ 400,000	1,065,000
2015	4.30	40,000	1.85	130,000	2.500	170,000	2.00	310,000	0.40	480,000	1,130,000
2016	4.30	45,000	1.85	65,000	2.625	200,000	2.00	265,000	1.00	120,000	695,000
2017	4.30	45,000	-	-	2.625	205,000	2.00	305,000	1.00	80,000	635,000
2018	4.30	45,000	-	-	2.625	210,000	1.10	305,000	1.00	80,000	640,000
2019	-	-	-	-	2.625	215,000	1.30	340,000	1.00	140,000	695,000
2020	-	-	-	-	2.850	225,000	1.50	325,000	1.05	140,000	690,000
2021	-	-	-	-	3.100	230,000	1.70	320,000	1.25	155,000	705,000
2022	-	-	-	-	3.250	240,000	1.90	305,000	1.50	160,000	705,000
2023	-	-	-	-	3.400	250,000	2.05	305,000	1.75	170,000	725,000
2024	-	-	-	-	3.500	255,000	2.20	305,000	1.90	175,000	735,000
2025	-	-	-	-	3.600	260,000	2.30	325,000	2.00	180,000	765,000
2026	-	-	-	-	3.700	275,000	2.40	325,000	2.15	145,000	745,000
2027	-	-	-	-	-	-	2.50	455,000	2.30	155,000	610,000
2028	-	-	-	-	-	-	-	-	2.50	140,000	140,000
Total		<u>\$ 215,000</u>		<u>\$ 475,000</u>		<u>\$ 2,835,000</u>		<u>\$ 4,435,000</u>		<u>\$ 2,720,000</u>	<u>10,680,000</u>

Revenue Bonds					
Year Ending June 30,	Tax Increment Financing (TIF) - North Urban Renewal Business Park		Local Option Sales and Services Tax		Total
	Issued Mar 21, 2006		Issued Mar 1, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2014	5.75%	\$ 29,000	4.80%	\$ 45,580	
2015	5.75	30,500	4.80	47,768	
2016	5.75	32,500	4.80	50,061	
2017	-	-	4.80	52,464	
2018	-	-	4.80	54,982	
2019	-	-	4.80	57,621	
2020	-	-	4.80	60,387	
2021	-	-	4.80	63,286	
2022	-	-	4.80	66,323	
2023	-	-	4.80	69,507	
2024	-	-	4.80	72,843	
2025	-	-	4.80	76,338	
Total		<u>\$ 92,000</u>		<u>\$ 717,160</u>	

See accompanying independent auditor's report.

City of Atlantic

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

For the Last Ten Years

	2013	2012	2011
<b>Receipts:</b>			
Property tax	\$ 3,399,467	3,099,062	2,841,706
Tax increment financing	86,689	86,256	123,056
Local option sales tax	831,635	812,825	724,158
Other city tax	199,462	194,936	137,681
Licenses and permits	41,275	23,467	57,657
Use of money and property	64,033	72,917	56,908
Intergovernmental	2,087,557	1,248,563	3,392,059
Charges for service	48,828	60,848	51,088
Special assessments	-	-	-
Miscellaneous	479,894	708,977	711,878
<b>Total</b>	<b>\$ 7,238,840</b>	<b>6,307,851</b>	<b>8,096,191</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	\$ 2,048,567	1,668,348	1,563,057
Public works	1,421,162	1,243,574	1,270,811
Health and social services	-	12,543	10,349
Culture and recreation	737,974	786,566	734,533
Community and economic development	268,794	245,333	294,740
General government	579,927	573,544	512,557
Debt service	1,338,566	1,289,596	1,013,557
Capital projects	4,337,072	3,508,919	2,742,110
<b>Total</b>	<b>\$ 10,732,062</b>	<b>9,328,423</b>	<b>8,141,714</b>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005	2004
2,610,770	2,848,499	2,728,825	2,563,716	2,439,308	2,377,815	2,330,119
124,486	109,725	247,992	238,660	158,355	212,041	177,535
739,713	774,698	674,076	726,447	582,645	533,772	616,797
130,595	132,693	130,483	116,357	113,038	119,718	120,772
55,387	46,329	28,908	26,704	29,882	26,464	27,075
65,980	115,318	159,049	171,874	135,334	74,608	61,512
1,739,197	1,625,672	2,745,491	4,085,700	3,622,092	2,603,514	1,670,043
50,054	39,586	37,908	38,493	41,544	33,986	52,715
-	-	-	-	729	7,624	10,858
351,292	738,535	276,775	476,955	454,504	497,487	1,305,812
5,867,474	6,431,055	7,029,507	8,444,906	7,577,431	6,487,029	6,373,238
1,917,127	1,929,247	2,128,960	1,951,333	1,965,094	1,468,009	1,199,522
1,444,231	1,516,690	1,460,714	1,131,099	1,194,866	977,604	1,120,237
9,700	11,993	9,998	-	12,385	21,873	2,980
505,058	539,893	518,574	553,493	423,996	405,853	421,150
206,676	210,406	382,197	256,151	494,547	121,653	103,790
514,114	521,550	505,944	499,782	456,453	429,838	429,845
1,057,967	1,094,777	1,974,011	1,100,134	1,079,642	1,239,380	2,042,651
1,843,733	1,389,972	2,033,635	3,475,138	3,213,291	2,885,382	3,574,090
7,498,606	7,214,528	9,014,033	8,967,130	8,840,274	7,549,592	8,894,265

**Schedule 6**

City of Atlantic  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0005-10-2012	\$ 500,800
U.S. Department of Justice: Bureau of Justice Assistance: Bulletproof Vest Partnership Program	16.607		350
Total direct			<u>501,150</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-HSG-083	129,239
U.S. Department of Transportation: Iowa Department of Public Safety: Governor's Traffic Safety Bureau: State and Community Highway Safety	20.600	PAP 12-03, Task 108	4,500
Total indirect			<u>133,739</u>
Total			<u>\$ 634,889</u>

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

See accompanying independent auditor's report.



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Mary Mosiman, 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 5, 2014. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the discretely presented component unit due to the omission of the Atlantic Municipal Utilities System.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-1 to be a material weakness.

## 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 the Findings

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

## Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2014

**City of Atlantic**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Atlantic, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Atlantic's major federal program for the year ended June 30, 2013. The City of Atlantic's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Atlantic's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Atlantic's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Atlantic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Atlantic's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2014

City of Atlantic  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the discretely presented component unit due to the omission of the Atlantic Municipal Utilities System.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Atlantic did not qualify as a low-risk auditee.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-1 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.
- 6) Disbursements – preparing checks, signing checks and access to accounting records.
- 7) Petty cash – Custody, reconciling and recording.

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 utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the capital projects function prior to the May 14, 2013 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future the budget will be amended before disbursements are allowed that would exceed the City’s spending authority.

Conclusion – Response accepted.

IV-B-13 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.

IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 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	Hot mix asphalt	\$ 58,831
	Cold patch asphalt	3,440
	Walk door	1,440
	Road resurfacing, per bid	1,885,418

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the road resurfacing transaction with Henningsen Construction does not appear to represent a conflict of interest since it was competitively bid.

However, the hot mix asphalt, cold patch asphalt and the walk door transactions appear to represent conflicts of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since they were not competitively bid and were greater than \$1,500 during the year.

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

Response – The Street Department Superintendent will be instructed that he needs to get quotes for hot mix asphalt and cold patch purchases, as well as any other items purchased from Henningsen Construction.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-E-13 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.
- IV-F-13 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-13 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.
- IV-H-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- IV-I-13 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 is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.
- IV-J-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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City of Atlantic

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Keith C. Kistenmacher, Senior Auditor  
Laura M. Wernimont, Staff Auditor  
Anthony M. Heibult, Assistant Auditor

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