



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ March 13, 2006

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

The City's receipts totaled \$8,608,804 for the year ended June 30, 2005, a 15 percent decrease from 2004. The receipts included \$2,433,722 in property tax, \$212,041 from tax increment financing, \$891,029 from charges for service, \$1,283,674 from operating grants, contributions and restricted interest, \$1,759,915 from capital grants, contributions and restricted interest, \$533,772 from local option sales tax, \$24,233 from unrestricted interest on investments, \$1,288,500 from note and loan proceeds and \$138,418 from other general receipts.

Disbursements for the year totaled \$8,771,504, a 16 percent decrease from the prior year, and included \$2,885,382 for capital projects, \$1,449,888 for public safety and \$1,239,180 for debt service. Also, disbursements for business type activities totaled \$454,846.

The decreases in receipts and disbursements from the prior year are due to reductions in note proceeds received and the use of the proceeds to refund outstanding debt.

A copy of the 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/reports.htm>.

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CITY OF ATLANTIC

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

JUNE 30, 2005

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	19
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	21
Notes to Financial Statements		22-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Internal Service Funds	2	38
Schedule of Indebtedness	3	40-41
Bond and Note Maturities	4	42-44
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	45
Schedule of Expenditures of Federal Awards	6	46
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 <u>Government Auditing Standards</u>		49-50
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		53-54
Schedule of Findings and Questioned Costs		55-59
Staff		60

City of Atlantic

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Krogman	Mayor	Jan 2006
John Rueb	Council Member	Jan 2006
Mike Waters	Council Member	Jan 2006
Dave Wheatley	Council Member	Jan 2006
Dave Dunfee	Council Member	Jan 2008
David Jones	Council Member	Jan 2008
Kern Miller	Council Member	Jan 2008
Pat Simmons	Council Member	Jan 2008
Ron Crisp	Administrator	Indefinite
Debbie L. Wheatley Field	Clerk	Jan 2006
Sue Muri	Treasurer	Jan 2006
James C. VanGinkel	Attorney	Jan 2006

City of Atlantic



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government 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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Atlantic's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

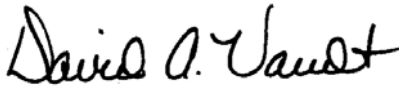
The financial statements referred to above include only the primary government of the City of Atlantic, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Atlantic as of June 30, 2005, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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 for the primary government of the City of Atlantic as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2006 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements for the primary government of the City of Atlantic. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Atlantic provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The City implemented new reporting standards last fiscal year with significant changes in content and structure. Comparable information with the prior year is now available and will be more meaningful in explaining the City's financial position and results of operation.

2005 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities decreased 16.6%, or approximately \$1,602,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$46,000 and debt proceeds decreased \$1,732,000.
- Disbursements of the City's governmental activities decreased 16.6%, or approximately \$1,652,000, in fiscal 2005 from fiscal 2004. Public safety, debt service and capital projects disbursements increased (decreased) approximately \$238,000, \$(803,000) and \$(689,000), respectively.
- The City's total cash basis net assets decreased 4%, or \$162,700, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$255,700 and the assets of the business type activities increased by approximately \$93,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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 sewer and the sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

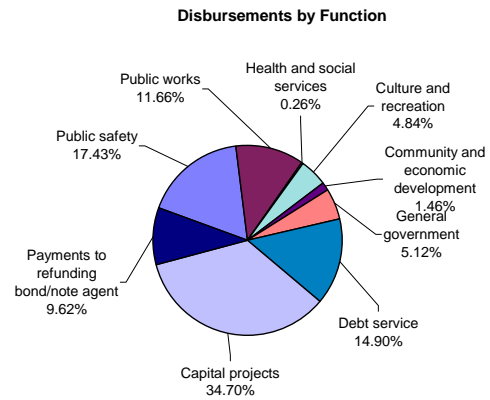
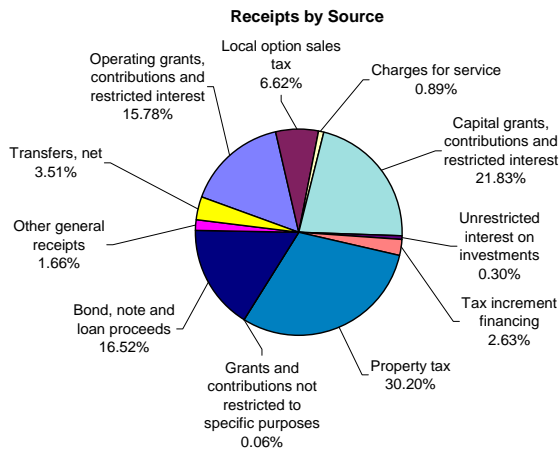
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3.2 million to \$3 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 72,045	102,927
Operating grants, contributions and restricted interest	1,271,688	1,078,198
Capital grants, contributions and restricted interest	1,759,915	1,836,780
General receipts:		
Property tax	2,433,722	2,387,875
Tax increment financing	212,041	177,535
Local option sales tax	533,772	616,797
Grants and contributions not restricted to specific purposes	4,843	25,029
Unrestricted interest on investments	24,233	14,749
Bond, note and loan proceeds	1,332,000	3,020,923
Other general receipts	133,575	152,983
Transfers, net	283,146	249,492
Total receipts and transfers	<u>8,060,980</u>	<u>9,663,288</u>
Disbursements:		
Public safety	1,449,888	1,212,067
Public works	970,035	1,127,011
Health and social services	21,873	2,980
Culture and recreation	402,845	423,553
Community and economic development	121,653	103,790
General government	425,602	432,787
Debt service	1,239,380	1,242,651
Capital projects	2,885,382	3,574,090
Payments to refunding bond/note agent	800,000	1,850,000
Total disbursements	<u>8,316,658</u>	<u>9,968,929</u>
Decrease in cash basis net assets	(255,678)	(305,641)
Cash basis net assets beginning of year	<u>3,245,705</u>	<u>3,551,346</u>
Cash basis net assets end of year	<u>\$ 2,990,027</u>	<u>3,245,705</u>



The City's total receipts and transfers for governmental activities decreased by 16.6%, or \$1,602,000. The total cost of all programs and services decreased by approximately \$1,652,000, or 16.6%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of general obligation notes in the prior year used to refund \$1,050,000 of debt.

The City increased property tax rates for 2005 by an average of 4 percent. This increase, in conjunction with a decrease in assessed valuation, raised the City's budgeted property tax receipts by approximately \$31,000 in 2005. Based on increases in the total assessed valuation for 2006, property tax receipts are budgeted to increase by an additional \$28,000 next year.

The cost of all governmental activities this year was \$8.3 million compared to \$10.0 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$4.4 million because some of the cost was paid by those directly benefited from the programs (\$72,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$3,075,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,900,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 173,065	175,027
Sewer	645,919	557,508
Operating grants, contributions and restricted interest	11,986	7,235
Total receipts	<u>830,970</u>	<u>739,770</u>
Disbursements and transfers:		
Storm water	29,465	12,090
Sewer	425,381	512,020
Transfers	283,146	249,492
Total disbursements and transfers	<u>737,992</u>	<u>773,602</u>
Change in cash basis net assets	92,978	(33,832)
Cash basis net assets beginning of year	552,720	586,552
Cash basis net assets end of year	<u>\$ 645,698</u>	<u>552,720</u>

Total business type activities receipts for the fiscal year were \$831,000 compared to \$740,000 last year. This significant increase was due primarily to the sewer rate increase in 2005. The cash balance increased by approximately \$93,000 from the prior year because of the sewer rate increase. Total disbursements and transfers for the fiscal year decreased by 4.6% to a total of \$738,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$2,909,322, a decrease of more than \$290,000 below last year's total of \$3,200,239. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$10,757 from the prior year to \$960,745. Total receipts increased 13.3% and total disbursements increased 8.7%. Transfers from other funds decreased approximately \$26,000, resulting in an insignificant decrease in the year end fund balance.
- The Road Use Tax Fund cash balance decreased by \$317,246 to \$451,199 during the fiscal year. This decrease was attributable to approximately \$381,000 of transfers to capital projects for the 2004 street improvement project this fiscal year. The City intends to use this money to continue funding the street department operations, street maintenance programs and replacement of equipment.
- The Local Option Sales Tax Fund was established to account for special sales taxes collected. At the end of the fiscal year, the cash balance was \$385,036, a decrease of \$146,331 from the previous year. The decrease was the result of sales tax collections being recorded directly to the Capital Projects Fund and an increase in transfers to other funds.
- The Debt Service Fund cash balance increased by \$99,144 to \$21,842 during the fiscal year. This increase was due to an increase in property tax and all other receipt categories.
- The Capital Projects Fund cash balance increased by \$81,851 to \$567,902 during the fiscal year. The increase was due to grants, donations and note proceeds accumulated in prior and current years and used for large projects such as the recreation center, street and airport improvements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection. At the end of the fiscal year, the cash balance increased by \$95,512 to \$308,517. Disbursements increased by \$17,375, due primarily to operating costs such as payroll and a storm water project.
- The Sewer Fund cash balance decreased by \$5,598 to \$330,163. Sewer rates were increased during the current year, resulting in an increase of \$88,410 in charges for service. Debt service payments increased \$38,494 to \$106,082.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 18, 2005 and resulted in an increase of \$2,525,000 in operating disbursements related to the purchase of additional equipment, calling outstanding notes, increased fees, the addition of the fusion center expenses and the inclusion of fire department expenses. The City received federal grants, sold notes and had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$6,670,000 in bonds and other long-term debt, compared to \$7,140,000 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2005	2004
General obligation notes	\$3,610,000	3,840,000
Tax increment financing (TIF) revenue bonds	445,000	525,000
Local option sales and services tax revenue bonds	1,190,000	1,210,000
Revenue notes:		
Sewer	625,000	700,000
Road use tax	-	55,000
Special assessment notes	-	15,000
General obligation project anticipation notes	800,000	800,000
Total	<u>\$6,670,000</u>	<u>7,145,000</u>

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation, TIF, LOST revenue and general obligation project anticipation debt of \$6,045,000 is below its constitutional debt limit of \$11,726,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$2.4 million, an increase of 1% over the final 2005 budget. Property tax (benefiting from the 2005 rate increases and decreases in assessed valuations) are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to increase by approximately \$833,000. The increase is due to fusion center operating costs and capital project payments. No debt issues will be refunded and the City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$2,088,500 by the close of 2006. The City will be using accumulated cash for projects rather than issuing additional debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Wheatley Field, City Clerk, 23 East 4th Street, City of Atlantic, Iowa 50022-1319.

Basic Financial Statements

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,449,888	13,499	245,643	53,219
Public works	970,035	-	967,456	-
Health and social services	21,873	-	-	-
Culture and recreation	402,845	30,940	44,326	-
Community and economic development	121,653	1,100	7,866	-
General government	425,602	26,506	-	-
Debt service	1,239,380	-	6,397	6,646
Capital projects	2,885,382	-	-	1,700,050
Total governmental activities	7,516,658	72,045	1,271,688	1,759,915
Business type activities:				
Storm water	29,465	173,065	4,952	-
Sewer	425,381	645,919	7,034	-
Total business type activities	454,846	818,984	11,986	-
Total	\$ 7,971,504	891,029	1,283,674	1,759,915
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Note and loan proceeds				
Payments to refunding note agent				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,137,527)	-	(1,137,527)
(2,579)	-	(2,579)
(21,873)	-	(21,873)
(327,579)	-	(327,579)
(112,687)	-	(112,687)
(399,096)	-	(399,096)
(1,226,337)	-	(1,226,337)
(1,185,332)	-	(1,185,332)
(4,413,010)	-	(4,413,010)
-	148,552	148,552
-	227,572	227,572
-	376,124	376,124
(4,413,010)	376,124	(4,036,886)
1,752,352	-	1,752,352
212,041	-	212,041
681,370	-	681,370
533,772	-	533,772
4,843	-	4,843
24,233	-	24,233
1,332,000	-	1,332,000
(800,000)	-	(800,000)
133,575	-	133,575
283,146	(283,146)	-
4,157,332	(283,146)	3,874,186
(255,678)	92,978	(162,700)
3,245,705	552,720	3,798,425
\$ 2,990,027	645,698	3,635,725
\$ 451,199	-	451,199
274,955	-	274,955
131,923	95,035	226,958
522,598	-	522,598
1,609,352	550,663	2,160,015
\$ 2,990,027	645,698	3,635,725

City of Atlantic

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

As of and for the year ended June 30, 2005

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,133,877	-	-
Tax increment financing	-	-	-
Other city tax	128,452	-	149,456
Licenses and permits	26,464	-	-
Use of money and property	53,864	-	2,445
Intergovernmental	526,352	603,390	-
Charges for service	33,986	-	-
Special assessments	-	-	-
Miscellaneous	179,687	9,189	3,283
Total receipts	<u>2,082,682</u>	<u>612,579</u>	<u>155,184</u>
Disbursements:			
Operating:			
Public safety	1,130,045	-	-
Public works	375,783	444,225	28,890
Health and social services	-	21,873	-
Culture and recreation	349,028	-	-
Community and economic development	55,050	-	66,603
General government	338,082	-	20,650
Debt service	-	-	31,480
Capital projects	-	-	-
Total disbursements	<u>2,247,988</u>	<u>466,098</u>	<u>147,623</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(165,306)</u>	<u>146,481</u>	<u>7,561</u>
Other financing sources (uses):			
Note proceeds, net of \$11,500 discount	-	-	-
Loan proceeds	43,500	-	-
Payments to refunding note agent	-	-	-
Operating transfers in	111,049	-	-
Operating transfers out	-	(463,727)	(153,892)
Total other financing sources (uses)	<u>154,549</u>	<u>(463,727)</u>	<u>(153,892)</u>
Net change in cash balances	(10,757)	(317,246)	(146,331)
Cash balances beginning of year	971,502	768,445	531,367
Cash balances end of year	<u>\$ 960,745</u>	<u>451,199</u>	<u>385,036</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	110,081
Unreserved:			
General fund	960,745	-	-
Special revenue funds	-	451,199	274,955
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 960,745</u>	<u>451,199</u>	<u>385,036</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
666,321	-	577,617	2,377,815
-	-	212,041	212,041
15,048	346,952	13,582	653,490
-	-	-	26,464
5,320	5,648	7,331	74,608
-	1,473,772	-	2,603,514
-	-	-	33,986
6,646	978	-	7,624
1,077	219,652	41,099	453,987
694,412	2,047,002	851,670	6,443,529
-	-	337,964	1,468,009
-	-	128,706	977,604
-	-	-	21,873
-	-	56,825	405,853
-	-	-	121,653
-	-	71,106	429,838
1,094,302	-	113,598	1,239,380
-	2,885,382	-	2,885,382
1,094,302	2,885,382	708,199	7,549,592
(399,890)	(838,380)	143,471	(1,106,063)
796,000	492,500	-	1,288,500
-	-	-	43,500
(800,000)	-	-	(800,000)
503,034	493,356	7,081	1,114,520
-	(65,625)	(148,130)	(831,374)
499,034	920,231	(141,049)	815,146
99,144	81,851	2,422	(290,917)
(77,302)	486,051	520,176	3,200,239
21,842	567,902	522,598	2,909,322
21,842	-	-	131,923
-	-	-	960,745
-	-	522,598	1,248,752
-	567,902	-	567,902
21,842	567,902	522,598	2,909,322

City of Atlantic

City of Atlantic

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

As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 17) \$ 2,909,322

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

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

80,705

Cash basis net assets of governmental activities (page 15)

\$ 2,990,027

Net change in cash balances (page 17)

\$ (290,917)

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

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

35,239

Change in cash balance of governmental activities (page 15)

\$ (255,678)

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, 2005

	Enterprise Funds			Internal Service Funds
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 173,065	645,918	818,983	1,923,627
Miscellaneous	-	3,566	3,566	1,872
Total operating receipts	<u>173,065</u>	<u>649,484</u>	<u>822,549</u>	<u>1,925,499</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	891,312
Public works	-	-	-	339,456
Culture and recreation	-	-	-	239,537
General government	-	-	-	245,305
Business type activities	29,465	321,829	351,294	172,553
Total operating disbursements	<u>29,465</u>	<u>321,829</u>	<u>351,294</u>	<u>1,888,163</u>
Excess of operating receipts over operating disbursements	<u>143,600</u>	<u>327,655</u>	<u>471,255</u>	<u>37,336</u>
Non-operating receipts (disbursements):				
Interest on investments	4,952	2,935	7,887	967
Debt service	-	(106,082)	(106,082)	-
Total non-operating receipts (disbursements)	<u>4,952</u>	<u>(103,147)</u>	<u>(98,195)</u>	<u>967</u>
Excess of receipts over disbursements	<u>148,552</u>	<u>224,508</u>	<u>373,060</u>	<u>38,303</u>
Other financing uses:				
Operating transfers out	(53,040)	(230,106)	(283,146)	-
Net change in cash balances	<u>95,512</u>	<u>(5,598)</u>	<u>89,914</u>	<u>38,303</u>
Cash balances beginning of year	<u>213,005</u>	<u>335,761</u>	<u>548,766</u>	<u>49,420</u>
Cash balances end of year	<u>\$ 308,517</u>	<u>330,163</u>	<u>638,680</u>	<u>87,723</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	95,035	95,035	-
Unreserved	<u>308,517</u>	<u>235,128</u>	<u>543,645</u>	<u>87,723</u>
Total cash basis fund balances	<u>\$ 308,517</u>	<u>330,163</u>	<u>638,680</u>	<u>87,723</u>

See notes to financial statements.

City of Atlantic

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

As of and for the year ended June 30, 2005

Total enterprise funds cash balances (page 20) \$ 638,680

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

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

7,018

Cash basis net assets of business type activities (page 15) \$ 645,698

Net change in cash balances (page 20) \$ 89,914

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

The Internal Service Funds are used by management to charge the costs of payroll and 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.

3,064

Change in cash balance of business type activities (page 15) \$ 92,978

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2005

(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

Except as discussed below, 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.

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

Excluded Component Unit

The Atlantic Municipal Utilities Board was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. Complete financial statements, presented on a different basis of accounting, can be obtained from the Municipal Utilities administrative office.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water 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 of Atlantic maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury Notes	\$ 5,000	5,209	February 2007

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Tax Increment Financing (TIF) Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 630,000	146,644	80,000	28,645	40,000	44,076
2007	675,000	128,801	90,000	23,430	50,000	32,890
2008	360,000	107,242	75,000	17,258	54,404	53,900
2009	355,000	90,925	75,000	12,385	61,056	51,169
2010	365,000	75,005	60,000	7,465	62,786	48,075
2011-2015	1,150,000	158,245	65,000	4,422	297,942	191,351
2016-2020	75,000	4,050	-	-	275,515	124,505
2021-2025	-	-	-	-	348,297	51,721
Total	\$ 3,610,000	710,912	445,000	93,605	1,190,000	597,687

Year Ending June 30,	Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest
2006	\$ 200,000	27,820	950,000	247,185
2007	210,000	19,020	1,025,000	204,141
2008	215,000	9,675	704,404	188,075
2009	-	-	491,056	154,479
2010	-	-	487,786	130,545
2011-2015	-	-	1,512,942	354,018
2016-2020	-	-	350,515	128,555
2021-2025	-	-	348,297	51,721
Total	\$ 625,000	56,515	5,870,000	1,458,719

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

Local Option Sales and Services Tax Revenue Bonds – These were issued for the purpose of defraying a portion of the cost of constructing street improvements and repaying the local option sales and services tax bond anticipation notes used for 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. 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 earnings of the local option sales tax revenue received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established to account for 15% of the local option sales tax revenue collected.
- (c) Sufficient quarterly deposits shall be made to the sinking account for the purpose of making the bond principal and interest payments when due.
- (d) Additional quarterly deposits of \$2,500 shall be made to a reserve account until \$30,000 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

Sewer Revenue Notes – The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A sewer reserve account shall be established with \$85,000 in note proceeds. This account is restricted for the purpose of paying for principal and interest when funds in the sinking account are inadequate.
- (d) A sewer surplus account is required, into which all of the net revenues remaining after first making the required payments into the sinking and reserve accounts shall be deposited.

(4) Anticipation Notes

On March 1, 2004, the City issued an \$800,000 general obligation airport improvement project anticipation note to pay the costs of an airport runway expansion project. The note bears interest at 1.70% per annum and matures on March 1, 2005. The note was refunded by issuance of a note dated March 1, 2005 which bears interest at 2.50% per annum and matures on March 1, 2006. The note will be repaid through issuance of long term general obligation debt. Interest of \$13,600 was paid during the year ended June 30, 2005.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$103,404, \$89,332 and \$90,780, respectively, equal to the required contributions for each year.

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

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

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 94,000
Compensatory time	39,000
Total	<u>\$133,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 25,000
	Emergency	36,049
	Enterprise:	
	Storm Water	25,000
	Sewer	25,000
		<u>111,049</u>
Special Revenue: Police Pension	Special Revenue: Fire Pension	<u>7,081</u>
Debt Service	Special Revenue:	
	Road Use Tax	58,025
	Local Option Sales Tax	97,199
	Tax Increment Financing	105,000
	Capital Projects	65,625
	Enterprise:	
	Sewer	177,185
		<u>503,034</u>
Capital Projects	Special Revenue:	
	Road Use Tax	380,702
	Local Option Sales Tax	56,693
	Enterprise:	
	Storm Water	28,040
	Sewer	27,921
		<u>493,356</u>
Total		<u><u>\$ 1,114,520</u></u>

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

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2005 were \$93,875.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2005, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(9) Employee Health Insurance Plan

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Marsh Advantage America. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Marsh Advantage America from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2005 was \$318,983.

(10) Commitments

The City has entered into various construction contracts for street, bridge replacement, airport improvements, sidewalk improvements and construction of a recreation and wellness center totaling \$7,158,787. At June 30, 2005, \$93,949 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

(11) Litigation

The City of Atlantic is involved in a condemnation appeal. The amount of additional condemnation award, if any, is indeterminable at this time.

(12) Subsequent Events

In August 2005, the City issued \$1,240,000 of local option sales and services tax revenue refunding bonds to refund revenue bonds outstanding. In December 2005, the City issued \$255,000 of tax increment financing revenue bonds to fund a project. The City entered into contracts related to projects for the East Side Business Park for infrastructure improvements totaling \$806,615.

Required Supplementary Information

City of Atlantic

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,377,815	-	-
Tax increment financing	212,041	-	-
Other city tax	653,490	-	-
Licenses and permits	26,464	-	-
Use of money and property	74,608	8,854	967
Intergovernmental	2,603,514	-	-
Charges for service	33,986	2,742,610	1,923,627
Special assessments	7,624	-	-
Miscellaneous	453,987	5,438	1,872
Total receipts	<u>6,443,529</u>	<u>2,756,902</u>	<u>1,926,466</u>
Disbursements:			
Public safety	1,468,009	891,312	891,312
Public works	977,604	339,456	339,456
Health and social services	21,873	-	-
Culture and recreation	405,853	239,537	239,537
Community and economic development	121,653	-	-
General government	429,838	245,305	245,305
Debt service	1,239,380	106,082	-
Capital projects	2,885,382	-	-
Business type activities	-	523,847	172,553
Total disbursements	<u>7,549,592</u>	<u>2,345,539</u>	<u>1,888,163</u>
Excess (deficiency) of receipts over (under) disbursements	(1,106,063)	411,363	38,303
Other financing sources (uses), net	815,146	(283,146)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(290,917)	128,217	38,303
Balances beginning of year	3,200,239	598,186	49,420
Balances end of year	<u>\$ 2,909,322</u>	<u>726,403</u>	<u>87,723</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,377,815	2,372,307	2,372,307	5,508
212,041	189,970	189,970	22,071
653,490	599,982	599,982	53,508
26,464	22,900	22,900	3,564
82,495	55,950	55,950	26,545
2,603,514	2,395,560	3,460,776	(857,262)
852,969	722,400	810,400	42,569
7,624	15,659	15,659	(8,035)
457,553	299,828	871,612	(414,059)
<u>7,273,965</u>	<u>6,674,556</u>	<u>8,399,556</u>	<u>(1,125,591)</u>
1,468,009	1,237,699	1,731,699	263,690
977,604	1,069,303	1,069,303	91,699
21,873	10,000	31,000	9,127
405,853	426,432	426,432	20,579
121,653	219,540	219,540	97,887
429,838	470,479	470,479	40,641
1,345,462	1,270,175	2,070,175	724,713
2,885,382	2,775,217	3,975,217	1,089,835
351,294	464,698	474,698	123,404
<u>8,006,968</u>	<u>7,943,543</u>	<u>10,468,543</u>	<u>2,461,575</u>
(733,003)	(1,268,987)	(2,068,987)	1,335,984
<u>532,000</u>	<u>500,000</u>	<u>1,300,000</u>	<u>(768,000)</u>
(201,003)	(768,987)	(768,987)	567,984
<u>3,749,005</u>	<u>3,605,357</u>	<u>3,605,357</u>	<u>143,648</u>
<u>3,548,002</u>	<u>2,836,370</u>	<u>2,836,370</u>	<u>711,632</u>

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,525,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Atlantic

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

As of and for the year ended June 30, 2005

	Special		
	Employees' Benefits	Cafeteria Plan	Police Pension
Receipts:			
Property tax	\$ 507,196	-	17,540
Tax increment financing	-	-	-
Other city tax	11,760	-	496
Use of money and property	428	-	-
Miscellaneous	34,703	6,396	-
Total receipts	<u>554,087</u>	<u>6,396</u>	<u>18,036</u>
Disbursements:			
Operating:			
Public safety	295,044	-	28,280
Public works	128,706	-	-
Culture and recreation	56,825	-	-
General government	65,765	5,341	-
Debt service	-	-	-
Total disbursements	<u>546,340</u>	<u>5,341</u>	<u>28,280</u>
Excess (deficiency) of receipts over (under) disbursements	<u>7,747</u>	<u>1,055</u>	<u>(10,244)</u>
Other financing sources (uses):			
Operating transfers in	-	-	7,081
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,081</u>
Net change in cash balances	7,747	1,055	(3,163)
Cash balances beginning of year	112,779	4,060	3,163
Cash balances end of year	<u>\$ 120,526</u>	<u>5,115</u>	<u>-</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 120,526</u>	<u>5,115</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue				
Fire Pension	Emergency	Tax Increment Financing	Economic Development Revolving Loan	Total
17,590	35,291	-	-	577,617
-	-	212,041	-	212,041
496	830	-	-	13,582
3,845	-	-	3,058	7,331
-	-	-	-	41,099
21,931	36,121	212,041	3,058	851,670
14,640	-	-	-	337,964
-	-	-	-	128,706
-	-	-	-	56,825
-	-	-	-	71,106
-	-	113,598	-	113,598
14,640	-	113,598	-	708,199
7,291	36,121	98,443	3,058	143,471
-	-	-	-	7,081
(7,081)	(36,049)	(105,000)	-	(148,130)
(7,081)	(36,049)	(105,000)	-	(141,049)
210	72	(6,557)	3,058	2,422
128,890	14,073	44,348	212,863	520,176
129,100	14,145	37,791	215,921	522,598
129,100	14,145	37,791	215,921	522,598

Schedule 2

City of Atlantic

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

As of and for the year ended June 30, 2005

	Payroll Revolving	Medical Benefit Self Insurance	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 1,604,644	318,983	1,923,627
Miscellaneous:			
Refunds	-	1,872	1,872
Total operating receipts	<u>1,604,644</u>	<u>320,855</u>	<u>1,925,499</u>
Operating disbursements:			
Governmental activities:			
Public safety	747,802	143,510	891,312
Public works	279,503	59,953	339,456
Culture and recreation	215,694	23,843	239,537
General government	211,774	33,531	245,305
Business type activities	149,871	22,682	172,553
Total operating disbursements	<u>1,604,644</u>	<u>283,519</u>	<u>1,888,163</u>
Excess of operating receipts over operating disbursements	-	37,336	37,336
Non-operating receipts:			
Use of money and property	-	967	967
Net change in cash balances	-	38,303	38,303
Balance beginning of year	-	49,420	49,420
Balance end of year	<u>\$ -</u>	<u>87,723</u>	<u>87,723</u>

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Economic development	Feb 1, 1994	4.75-7.00%	\$ 225,000
Economic development	Sep 1, 1997	6.75-7.35	200,000
Airport improvement	Aug 1, 1999	4.40-5.20	150,000
Swimming pool improvement	Mar 1, 2001	4.40-5.40	700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Economic development	Sep 1, 2003	2.15-4.60	110,000
Refunding	Apr 1, 2004	1.25-1.95	1,070,000
Street improvements	Jul 1, 2004	2.00-4.35	500,000
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1994	8.25-9.10%	\$ 145,000
Cargill (TIF)	Dec 1, 1994	8.25-9.05	100,000
Skyjack (TIF)	Dec 1, 1995	6.70-7.30	115,000
Skyjack (TIF)	Jun 1, 1997	7.65-8.15	90,000
Southeast urban renewal	Feb 1, 1998	4.40-5.15	175,000
Country Oaks Addition	Jul 1, 2001	4.30-5.20	200,000
Total			
Revenue bonds:			
Local option sales and services tax	Sep 1, 1997	4.70-5.65%	\$ 300,000
Local option sales and services tax	Mar 1, 2004	4.80	1,000,000
Total			
Revenue notes:			
Sewer	Dec 1, 1998	4.10-4.50%	\$ 850,000
Road use tax	Mar 1, 2000	5.15-5.50	250,000
Total			
Special assessment notes:			
Downtown redevelopment	Jul 1, 1995	4.60-5.85%	\$ 135,000
Loan agreements with Atlantic Municipal Utilities:			
Equipment	Mar 17, 2004	-	\$ 43,500
General obligation project anticipation notes:			
Airport improvement project	Mar 1, 2004	1.70%	\$ 800,000
Airport improvement project	Mar 1, 2005	2.50	800,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
110,000	-	15,000	95,000	7,573
95,000	-	20,000	75,000	6,915
95,000	-	15,000	80,000	4,760
645,000	-	25,000	620,000	32,875
1,440,000	-	145,000	1,295,000	64,768
275,000	-	25,000	250,000	8,047
110,000	-	10,000	100,000	4,047
1,070,000	-	430,000	640,000	19,544
-	500,000	45,000	455,000	16,145
\$ 3,840,000	500,000	730,000	3,610,000	164,674
80,000	-	10,000	70,000	7,243
35,000	-	10,000	25,000	3,148
75,000	-	10,000	65,000	5,077
65,000	-	15,000	50,000	4,850
100,000	-	20,000	80,000	4,980
170,000	-	15,000	155,000	8,300
\$ 525,000	-	80,000	445,000	33,598
210,000	-	20,000	190,000	11,480
1,000,000	-	-	1,000,000	65,625
\$ 1,210,000	-	20,000	1,190,000	77,105
700,000	-	75,000	625,000	31,082
55,000	-	55,000	-	3,025
\$ 755,000	-	130,000	625,000	34,107
15,000	-	15,000	-	878
-	43,500	43,500	-	-
800,000	-	800,000	-	13,600
-	800,000	-	800,000	-
\$ 800,000	800,000	800,000	800,000	13,600

City of Atlantic
Bond and Note Maturities
June 30, 2005

General Obligation Notes										
Year Ending June 30,	Economic Development		Economic Development		Airport Improvement		Swimming Pool Improvement		Corporate Purpose	
	Issued Feb 1, 1994		Issued Sep 1, 1997		Issued Aug 1, 1999		Issued Mar 1, 2001		Issued Apr 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	6.80%	\$ 15,000	7.25%	\$ 25,000	4.90%	\$ 15,000	4.80%	\$ 25,000	4.00%	\$ 150,000
2007	6.85	20,000	7.30	25,000	4.95	15,000	4.85	45,000	4.20	160,000
2008	6.90	20,000	7.35	25,000	5.00	15,000	4.90	50,000	4.40	165,000
2009	6.95	20,000	-	-	5.10	15,000	4.95	50,000	4.60	180,000
2010	7.00	20,000	-	-	5.20	20,000	5.00	55,000	4.70	180,000
2011	-	-	-	-	-	-	5.05	60,000	4.80	150,000
2012	-	-	-	-	-	-	5.10	60,000	4.90	165,000
2013	-	-	-	-	-	-	5.20	65,000	5.00	70,000
2014	-	-	-	-	-	-	5.25	65,000	5.10	75,000
2015	-	-	-	-	-	-	5.30	70,000	-	-
2016	-	-	-	-	-	-	5.40	75,000	-	-
2017	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 95,000</u>		<u>\$ 75,000</u>		<u>\$ 80,000</u>		<u>\$ 620,000</u>		<u>\$ 1,295,000</u>

Tax Increment Financing (TIF) Revenue Bonds										
Year Ending June 30,	Skyjack (TIF)		Cargill (TIF)		Skyjack (TIF)		Skyjack (TIF)			
	Issued Dec 1, 1994		Issued Dec 1, 1994		Issued Dec 1, 1995		Issued Jun 1, 1997			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	8.95%	\$ 10,000	8.95%	\$ 10,000	7.20%	\$ 10,000	8.05%	\$ 10,000		
2007	9.05	15,000	9.05	15,000	7.20	10,000	8.05	10,000		
2008	9.10	15,000	-	-	7.25	10,000	8.10	10,000		
2009	9.10	15,000	-	-	7.30	10,000	8.15	10,000		
2010	9.10	15,000	-	-	7.30	10,000	8.15	10,000		
2011	-	-	-	-	7.30	15,000	-	-		
2012	-	-	-	-	-	-	-	-		
2013	-	-	-	-	-	-	-	-		
2014	-	-	-	-	-	-	-	-		
2015	-	-	-	-	-	-	-	-		
2016	-	-	-	-	-	-	-	-		
2017	-	-	-	-	-	-	-	-		
2018	-	-	-	-	-	-	-	-		
2019	-	-	-	-	-	-	-	-		
2020	-	-	-	-	-	-	-	-		
2021	-	-	-	-	-	-	-	-		
2022	-	-	-	-	-	-	-	-		
2023	-	-	-	-	-	-	-	-		
2024	-	-	-	-	-	-	-	-		
2025	-	-	-	-	-	-	-	-		
Total		<u>\$ 70,000</u>		<u>\$ 25,000</u>		<u>\$ 65,000</u>		<u>\$ 50,000</u>		

General Obligation Notes

Corporate Purpose		Economic Development		Refunding		Street Improvements		Total
Issued Apr 1, 2003		Issued Sep 1, 2003		Issued Apr 1, 2004		Issued Jul 1, 2004		
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2.10%	\$ 30,000	2.55%	\$ 10,000	1.60%	\$ 315,000	2.55%	\$ 45,000	630,000
2.45	30,000	3.00	10,000	1.95	325,000	3.00	45,000	675,000
2.80	30,000	3.35	10,000	-	-	3.25	45,000	360,000
3.00	30,000	3.60	10,000	-	-	3.50	50,000	355,000
3.20	30,000	3.85	10,000	-	-	3.70	50,000	365,000
3.40	30,000	4.10	10,000	-	-	3.90	50,000	300,000
3.55	35,000	4.30	10,000	-	-	4.10	55,000	325,000
3.70	35,000	4.45	15,000	-	-	4.25	55,000	240,000
-	-	4.60	15,000	-	-	4.35	60,000	215,000
-	-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	-	75,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 250,000</u></u>		<u><u>\$ 100,000</u></u>		<u><u>\$ 640,000</u></u>		<u><u>\$ 455,000</u></u>	<u><u>3,610,000</u></u>

Southeast Urban Renewal		Country Oaks Addition		Total
Issued Feb 1, 1998		Issued Jul 1, 2001		
Interest		Interest		
Rates	Amount	Rates	Amount	
4.90%	\$ 20,000	4.60%	\$ 20,000	80,000
4.95	20,000	4.70	20,000	90,000
5.05	20,000	4.80	20,000	75,000
5.15	20,000	4.90	20,000	75,000
-	-	5.00	25,000	60,000
-	-	5.10	25,000	40,000
-	-	5.20	25,000	25,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 80,000</u></u>		<u><u>\$ 155,000</u></u>	<u><u>445,000</u></u>

Schedule 4

City of Atlantic
 Bond and Note Maturities
 June 30, 2005

Year Ending June 30,	Revenue Bonds					Revenue Notes	
	Local Option Sales and Services Tax		Local Option Sales and Services Tax		Total	Sewer	
	Issued Sep 1, 1997		Issued Mar 1, 2004			Issued Dec 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2006	5.30%	\$ 20,000	4.80%	\$ 20,000	40,000	4.40%	\$ 200,000
2007	5.35	20,000	4.80	30,000	50,000	4.45	210,000
2008	5.40	20,000	4.80	34,404	54,404	4.50	215,000
2009	5.45	25,000	4.80	36,056	61,056		-
2010	5.50	25,000	4.80	37,786	62,786		-
2011	5.55	25,000	4.80	39,600	64,600		-
2012	5.60	25,000	4.80	41,501	66,501		-
2013	5.65	30,000	4.80	43,493	73,493		-
2014		-	4.80	45,580	45,580		-
2015		-	4.80	47,768	47,768		-
2016		-	4.80	50,061	50,061		-
2017		-	4.80	52,464	52,464		-
2018		-	4.80	54,982	54,982		-
2019		-	4.80	57,621	57,621		-
2020		-	4.80	60,387	60,387		-
2021		-	4.80	63,286	63,286		-
2022		-	4.80	66,323	66,323		-
2023		-	4.80	69,507	69,507		-
2024		-	4.80	72,843	72,843		-
2025		-	4.80	76,338	76,338		-
Total		<u>\$ 190,000</u>		<u>\$ 1,000,000</u>	<u>1,190,000</u>		<u>\$ 625,000</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 Five Years

	2005	2004	2003	2002	2001
Receipts:					
Property tax	\$ 2,377,815	2,330,119	2,342,037	2,018,353	1,933,724
Tax increment financing	212,041	177,535	178,049	132,195	163,000
Other city tax	653,490	737,569	660,723	587,392	526,872
Licenses and permits	26,464	27,075	19,802	18,572	19,343
Use of money and property	74,608	61,512	80,735	116,095	172,681
Intergovernmental	2,603,514	1,670,043	2,119,797	899,730	1,084,953
Charges for service	33,986	52,715	45,899	44,919	48,656
Special assessments	7,624	10,858	12,909	12,260	15,425
Miscellaneous	497,487	1,305,812	2,135,906	462,629	412,381
Total	\$ 6,487,029	6,373,238	7,595,857	4,292,145	4,377,035
Disbursements:					
Operating:					
Public safety	\$ 1,468,009	1,199,522	1,199,427	1,228,883	1,126,155
Public works	977,604	1,120,237	937,371	737,446	777,057
Health and social services	21,873	2,980	-	2,411	3,374
Culture and recreation	405,853	421,150	430,953	360,410	366,234
Community and economic development	121,653	103,790	100,569	229,574	290,920
General government	429,838	429,845	438,215	391,533	365,498
Debt service	1,239,380	2,042,651	1,118,732	883,710	786,226
Capital projects	2,885,382	3,574,090	4,297,777	2,809,890	1,075,539
Total	\$ 7,549,592	8,894,265	8,523,044	6,643,857	4,791,003

See accompanying independent auditor's report.

Schedule 6

City of Atlantic
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division:			
Airport Improvement Program	20.106	3-19-0005-03-2003	\$ 753,236
Airport Improvement Program	20.106	3-19-0005-04-2004	471,484
Total direct			<u>1,224,720</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program:			
Facility Rehabilitation	14.228	03-CF-020-01	25,371
HOME Investment Partnerships Program:			
Rental Rehabilitation Program	14.239	03-HM-185-21	8,216
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004	FY2004-LETPP-LEIN4-04	199,107
Total indirect			<u>232,694</u>
Total			<u>\$ 1,457,414</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 on 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.

**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**

City of Atlantic



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government 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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2006. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atlantic's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Atlantic's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition is 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

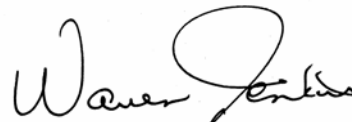
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2006

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Atlantic, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The City of Atlantic's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Atlantic's management. Our responsibility is to express an opinion on the City of Atlantic's compliance based on our audit.

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 non-compliance 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. Our audit does not provide a legal determination on the City of Atlantic's compliance with those requirements.

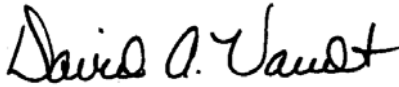
In our opinion, the City of Atlantic complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Atlantic's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2006

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (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 noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are 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, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-05 Separately Maintained Records – The Atlantic Volunteer Fire Department maintains separate accounting records pertaining to its operation. The financial transactions and resulting balances are not included in the City’s accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the Council on a monthly basis.

Response – We will begin receiving monthly financial reports to be included with the Clerk’s monthly report.

Conclusion – Response accepted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded for the Atlantic Volunteer Fire Department accounts during the year ended June 30, 2005.

Recommendation – The City should adopt a new resolution increasing the maximum deposit amounts.

Response – We will adopt a new resolution increasing maximum amounts.

Conclusion – Response accepted.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

IV-C-05 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-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 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	Asphalt patch material, per bid	\$ 8,975

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with the Airport Commissioner does not represent a conflict of interest since it was competitively bid.

IV-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-05 Deposits and Investments – Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-I-05 Revenue Bonds and Notes – The City has established the local option sales tax revenue Bond sinking account and transferred the required amount from the Special Revenue, Local Option Sales Tax Fund for the 1997 issue. However, debt payments for the 2004 local option sales and services tax revenue bond issue were paid from the Debt Service Fund.

Recommendation – The City should make the required transfers for the 2004 local option sales tax issue to the sinking account and pay both local option sales and services tax revenue bonds from this sinking account.

Response – We will transfer the proper amounts to the sinking account and pay both issues from the sinking account in the future.

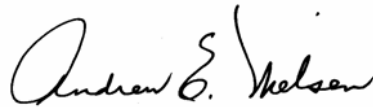
Conclusion – Response accepted.

City of Atlantic

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Paul K. Kearney, CGFM, Senior Auditor
Jessica L. Christensen, Assistant Auditor
Bradley A. Meisterling, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State