



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

April 1, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$9,632,633 for the year ended June 30, 2008, a less than one percent increase over 2007. The receipts included \$2,778,847 in property tax, \$247,992 from tax increment financing, \$967,221 from charges for service, \$1,820,845 from operating grants, contributions and restricted interest, \$1,322,514 from capital grants, contributions and restricted interest, \$674,076 from local option sales tax, \$72,833 from unrestricted interest on investments, \$1,621,600 from bond and note proceeds and \$126,705 from other general receipts.

Disbursements for the year totaled \$9,622,043, a one percent increase over the prior year, and included \$2,076,178 for public safety, \$2,033,635 for capital projects and \$1,974,011 for debt service. Also, disbursements for business type activities totaled \$702,075.

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

###

CITY OF ATLANTIC

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

JUNE 30, 2008

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 | | 22-31 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds | | 34-35 |
| Notes to Required Supplementary Information – Budgetary Reporting | | 36 |
| Other Supplementary Information: | <u>Schedule</u> | |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds | 1 | 38-39 |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Internal Service Funds | 2 | 40 |
| Schedule of Indebtedness | 3 | 42-43 |
| Bond and Note Maturities | 4 | 44-46 |
| Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds | 5 | 48-49 |
| Schedule of Expenditures of Federal Awards | 6 | 50 |
| 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> | | 53-54 |
| 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 | | 57-58 |
| Schedule of Findings and Questioned Costs | | 59-62 |
| Staff | | 63 |

City of Atlantic

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------|---------------------|
| (Before January 2008) | | |
| John Krogman | Mayor | Jan 2010 |
| James Kickland | Council Member | Nov 2007 |
| David Jones | Council Member | Jan 2008 |
| Kern Miller | Council Member | Jan 2008 |
| Pat Simmons | Council Member | Jan 2008 |
| Steve Livengood | Council Member | Jan 2010 |
| John Rueb | Council Member | Jan 2010 |
| Dave Wheatley | Council Member | Jan 2010 |
| Ron Crisp | Administrator | Indefinite |
| Debbie L. Wheatley Field | Clerk | Jan 2009 |
| Sue Muri | Treasurer | Jan 2009 |
| Brian Daiker | Attorney | Jan 2009 |
| (After January 2008) | | |
| John Krogman | Mayor | Jan 2010 |
| Steve Livengood | Council Member | Jan 2010 |
| John Rueb | Council Member | Jan 2010 |
| Dave Wheatley | Council Member | Jan 2010 |
| Linda Hartkopf | Council Member | Jan 2012 |
| David Jones | Council Member | Jan 2012 |
| Kern Miller | Council Member | Jan 2012 |
| Pat Simmons | Council Member | Jan 2012 |
| Ron Crisp | Administrator | Indefinite |
| Debbie L. Wheatley Field | Clerk | Jan 2009 |
| Sue Muri | Treasurer | Jan 2009 |
| Brian Daiker | Attorney | Jan 2009 |

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Atlantic's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the condensed financial information included in Note 10 for the discretely presented component unit, is based on the report of the other auditor.

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

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

As described in Note 10, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit for the year ended December 31, 2007 have been audited by another auditor and are available from the component unit. The report of the other auditor, dated February 28, 2008, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2008, 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 March 16, 2009 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 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Atlantic. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 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

March 16, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 0.72%, or approximately \$62,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$165,000, operating and capital grants and contributions decreased approximately \$1,462,000 and bond proceeds increased approximately \$1,369,000.
- Disbursements of the City's governmental activities increased 0.70%, or approximately \$62,000, in fiscal 2008 over fiscal 2007. Public safety, public works, capital projects and debt service increased (decreased) approximately \$183,000, \$333,000, \$(1,441,000) and \$874,000, respectively.
- The City's total cash basis net assets increased 0.31%, or approximately \$11,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$47,000 and the assets of the business type activities decreased approximately \$36,000.

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 and the Internal Service 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, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

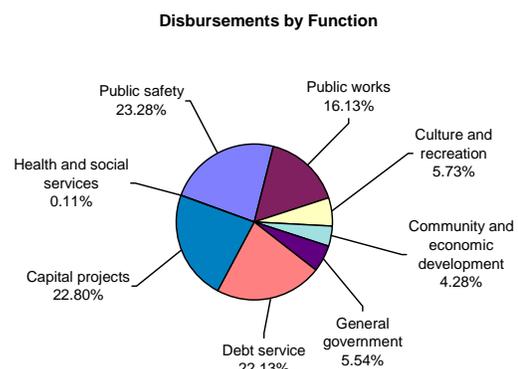
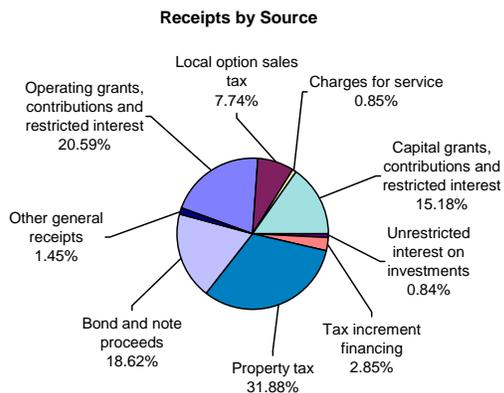
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2.74 million to approximately \$2.79 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands) | | |
|---|---------------------|--------------|
| | Year ended June 30, | |
| | 2008 | 2007 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 74 | 81 |
| Operating grants, contributions and restricted interest | 1,794 | 1,805 |
| Capital grants, contributions and restricted interest | 1,323 | 2,774 |
| General receipts: | | |
| Property tax | 2,779 | 2,614 |
| Tax increment financing | 248 | 239 |
| Local option sales tax | 674 | 726 |
| Grants and contributions not restricted to specific purposes | - | 1 |
| Unrestricted interest on investments | 73 | 72 |
| Bond and note proceeds | 1,622 | 168 |
| Other general receipts | 126 | 171 |
| Total receipts and transfers | 8,713 | 8,651 |
| Disbursements: | | |
| Public safety | 2,076 | 1,893 |
| Public works | 1,439 | 1,106 |
| Health and social services | 10 | - |
| Culture and recreation | 511 | 543 |
| Community and economic development | 382 | 256 |
| General government | 494 | 485 |
| Debt service | 1,974 | 1,100 |
| Capital projects | 2,034 | 3,475 |
| Total disbursements | 8,920 | 8,858 |
| Change in cash basis net assets before transfers | (207) | (207) |
| Transfers | 254 | 295 |
| Change in cash basis net assets | 47 | 88 |
| Cash basis net assets beginning of year | 2,738 | 2,650 |
| Cash basis net assets end of year | \$ 2,785 | 2,738 |



The City's total receipts and transfers for governmental activities increased .72%, or approximately \$62,000. The total cost of all programs and services increased approximately \$62,000, or 0.70%.

The City increased property tax rates for 2008 by an average of 4.7%. This increase, in conjunction with an increase in taxable valuation, raised the City's property tax receipts approximately \$165,000 in 2008. Based on increases in the total taxable valuation for 2009, property tax receipts are budgeted to increase an additional \$90,000 next year.

The cost of all governmental activities this year was approximately \$8.92 million compared to approximately \$8.86 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 \$5.73 million because some of the cost was paid by those directly benefited from the programs (\$74,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$3,117,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5,776,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and bond and note proceeds.

| Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands) | | |
|--|---------------------|------------|
| | Year ended June 30, | |
| | 2008 | 2007 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Storm water | \$ 190 | 183 |
| Sewer | 703 | 724 |
| Operating grants, contributions and restricted interest | 27 | 38 |
| Total receipts | <u>920</u> | <u>945</u> |
| Disbursements: | | |
| Storm water | 137 | 21 |
| Sewer | 565 | 645 |
| Total disbursements | <u>702</u> | <u>666</u> |
| Changes in cash basis net assets before transfers | 218 | 279 |
| Transfers | <u>254</u> | <u>295</u> |
| Change in cash basis net assets | (36) | (16) |
| Cash basis net assets beginning of year | <u>624</u> | <u>640</u> |
| Cash basis net assets end of year | <u>\$ 588</u> | <u>624</u> |

Total business type activities receipts for the fiscal year were approximately \$920,000 compared to approximately \$945,000 last year. This significant decrease was due primarily to fewer sewer usage fees collected and fewer refunds collected for lab tests performed for other cities in 2008. The cash balance decreased approximately \$36,000 from the prior year because of disbursements made related to the Olive Street project in the current fiscal year. Total disbursements for the fiscal year increased 5% to a total of approximately \$702,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$2,488,306, a decrease of approximately \$73,000 below last year's total of \$2,561,591. 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 \$126,318 from the prior year to \$1,105,023. Total receipts increased 0.75% and total disbursements increased 8.05%. Other factors include an increase in federal grants for the Fusion Center of \$69,000 and donations to the Fire Department decreased \$145,000 due to the State Convention held in FY07, but not FY08. Disbursements increased \$83,000 for the Fusion Center and fire department equipment purchases increased \$109,000.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$171,517 from the prior year to \$336,383. This decrease was attributable to an increase in disbursements, primarily due to the purchase of a grader for \$114,000 and a street sweeper for \$128,982 in the current year. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. At the end of the fiscal year, the cash balance was \$108,010, a decrease of \$89,641 from the previous year. An increase in disbursements was due primarily to demolition of buildings and payments on bonds in the current year. Local option sales tax credited to the fund increased \$143,391 during the year.
- The Debt Service Fund cash balance decreased \$84,164 from the prior year to \$4,271. This decrease was due to a decrease in property tax collections of \$88,531.
- The Capital Projects Fund cash balance increased \$260,026 over the prior year to \$413,740. This increase was due primarily to the unspent bond proceeds for the airport runway and lighting project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. At the end of the fiscal year, the cash balance decreased \$65,545 to \$236,399. Disbursements increased \$116,587 due to the new Olive Street project in the current year.
- The Sewer Fund cash balance increased \$17,583 to \$323,089. Sewer rental collections decreased \$21,616 and disbursements decreased \$82,224, primarily due to disbursements for a sewer treatment facility study and the purchase of equipment in the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2008 and resulted in an increase of \$2,477,000 in operating disbursements related to the purchase of additional equipment, capital improvement projects, a demolition project and principal and interest payments on short-term financing. The City received federal grants, sold bonds and had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$167,234 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts than anticipated due to the Fusion Center and airport grants, even after the amendment.

With the amendment, total disbursements were \$239,518 less than the amended budget. Actual disbursements for the public works, general government and business type activities functions were \$146,855, \$37,295 and \$55,458 less than the amended budget. This is primarily due to slower progress on the Fusion Center and 22nd street improvement projects.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$5,140,596 in bonds, notes and other long-term debt outstanding, compared to \$5,420,000 last year, as shown below.

| | Outstanding Debt at Year-End | |
|---|------------------------------|-----------|
| | June 30, | |
| | 2008 | 2007 |
| General obligation notes/bonds | \$ 3,680,000 | 2,775,000 |
| Tax increment financing (TIF) revenue bonds | 415,000 | 530,000 |
| Local option sales and services tax revenue bonds | 1,045,596 | 1,100,000 |
| Sewer revenue notes | - | 215,000 |
| General obligation project anticipation notes | - | 800,000 |
| Total | \$ 5,140,596 | 5,420,000 |

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 property within the City's corporate limits. The City's outstanding general obligation, TIF and LOST revenue debt of \$5,308,194 (including \$167,598 in development and rebate agreements) is significantly below its constitutional debt limit of \$14,159,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$2.88 million, an increase of 3.2% over the final 2008 budget. Property tax (benefiting from the increase in taxable valuations) is 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 approximately \$586,000. The increase is due to capital project payments. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$336,000 by the close of 2009. 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.

Basic Financial Statements

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

| | Disbursements | Program Receipts | | |
|--|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 2,076,178 | 15,444 | 604,067 | - |
| Public works | 1,439,222 | - | 1,078,663 | - |
| Health and social services | 9,998 | - | - | - |
| Culture and recreation | 511,072 | 31,304 | 88,521 | - |
| Community and economic development | 382,198 | 650 | 6,915 | - |
| General government | 493,654 | 26,838 | - | - |
| Debt service | 1,974,011 | - | 15,846 | 96 |
| Capital projects | 2,033,635 | - | - | 1,322,418 |
| Total governmental activities | 8,919,968 | 74,236 | 1,794,012 | 1,322,514 |
| Business type activities: | | | | |
| Storm water | 137,198 | 190,433 | 10,216 | - |
| Sewer | 564,877 | 702,552 | 16,617 | - |
| Total business type activities | 702,075 | 892,985 | 26,833 | - |
| Total | \$ 9,622,043 | 967,221 | 1,820,845 | 1,322,514 |
| General Receipts: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Tax increment financing | | | | |
| Debt service | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Bond and note proceeds, net of \$23,400 discount | | | | |
| Sale of capital assets | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net assets | | | | |
| Cash basis net assets beginning of year | | | | |
| Cash basis net assets end of year | | | | |
| Cash Basis Net Assets | | | | |
| Restricted: | | | | |
| Streets | | | | |
| Local option sales tax | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net assets | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|--|-----------------------------|-------------|
| Governmental Activities | Business Type Activities | Total |
| (1,456,667) | - | (1,456,667) |
| (360,559) | - | (360,559) |
| (9,998) | - | (9,998) |
| (391,247) | - | (391,247) |
| (374,633) | - | (374,633) |
| (466,816) | - | (466,816) |
| (1,958,069) | - | (1,958,069) |
| (711,217) | - | (711,217) |
| (5,729,206) | - | (5,729,206) |
| - | 63,451 | 63,451 |
| - | 154,292 | 154,292 |
| - | 217,743 | 217,743 |
| (5,729,206) | 217,743 | (5,511,463) |
| 2,238,910 | - | 2,238,910 |
| 247,992 | - | 247,992 |
| 539,937 | - | 539,937 |
| 674,076 | - | 674,076 |
| 72,833 | - | 72,833 |
| 1,621,600 | - | 1,621,600 |
| 35,800 | - | 35,800 |
| 90,905 | - | 90,905 |
| 253,841 | (253,841) | - |
| 5,775,894 | (253,841) | 5,522,053 |
| 46,688 | (36,098) | 10,590 |
| 2,738,456 | 623,978 | 3,362,434 |
| \$ 2,785,144 | 587,880 | 3,373,024 |
| \$ 336,383 | - | 336,383 |
| 43,145 | - | 43,145 |
| 85,136 | - | 85,136 |
| 413,740 | - | 413,740 |
| 504,879 | - | 504,879 |
| 1,401,861 | 587,880 | 1,989,741 |
| \$ 2,785,144 | 587,880 | 3,373,024 |

City of Atlantic

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

As of and for the year ended June 30, 2008

| | Special Revenue | | |
|--|---------------------|--------------------|------------------------------|
| | General | Road Use Tax | Local Option Sales Tax |
| Receipts: | | | |
| Property tax | \$ 1,358,575 | - | - |
| Tax increment financing | - | - | - |
| Other city tax | 249,215 | - | 408,215 |
| Licenses and permits | 26,808 | - | 2,100 |
| Use of money and property | 114,663 | - | 2,074 |
| Intergovernmental | 820,085 | 623,387 | - |
| Charges for service | 37,908 | - | - |
| Miscellaneous | 198,656 | 15,190 | 2,941 |
| Total receipts | <u>2,805,910</u> | <u>638,577</u> | <u>415,330</u> |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 1,739,496 | - | - |
| Public works | 493,755 | 780,094 | 24,111 |
| Health and social services | - | - | 9,998 |
| Culture and recreation | 441,347 | - | 8,207 |
| Community and economic development | 89,509 | - | 271,127 |
| General government | 386,193 | - | 19,554 |
| Debt service | - | - | 219,474 |
| Capital projects | - | - | - |
| Total disbursements | <u>3,150,300</u> | <u>780,094</u> | <u>552,471</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(344,390)</u> | <u>(141,517)</u> | <u>(137,141)</u> |
| Other financing sources (uses): | | | |
| Bond and note proceeds, net of \$23,400 discount | 85,000 | - | - |
| Sale of capital assets | 35,800 | - | - |
| Operating transfers in | 144,332 | - | 47,500 |
| Operating transfers out | (47,060) | (30,000) | - |
| Total other financing sources (uses) | <u>218,072</u> | <u>(30,000)</u> | <u>47,500</u> |
| Net change in cash balances | (126,318) | (171,517) | (89,641) |
| Cash balances beginning of year | <u>1,231,341</u> | <u>507,900</u> | <u>197,651</u> |
| Cash balances end of year | <u>\$ 1,105,023</u> | <u>336,383</u> | <u>108,010</u> |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | \$ - | - | 64,865 |
| Unreserved: | | | |
| General fund | 1,105,023 | - | - |
| Special revenue funds | - | 336,383 | 43,145 |
| Capital projects fund | - | - | - |
| Total cash basis fund balances | <u>\$ 1,105,023</u> | <u>336,383</u> | <u>108,010</u> |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|-----------|-------------|
| 530,631 | - | 839,619 | 2,728,825 |
| - | - | 247,992 | 247,992 |
| 9,306 | 122,417 | 15,406 | 804,559 |
| - | - | - | 28,908 |
| 15,846 | 16,292 | 10,174 | 159,049 |
| - | 1,302,019 | - | 2,745,491 |
| - | - | - | 37,908 |
| - | 4,108 | 55,880 | 276,775 |
| 555,783 | 1,444,836 | 1,169,071 | 7,029,507 |
| - | - | 389,464 | 2,128,960 |
| - | - | 162,754 | 1,460,714 |
| - | - | - | 9,998 |
| - | - | 69,020 | 518,574 |
| - | - | 21,561 | 382,197 |
| - | - | 100,197 | 505,944 |
| 1,608,738 | - | 145,799 | 1,974,011 |
| - | 2,033,635 | - | 2,033,635 |
| 1,608,738 | 2,033,635 | 888,795 | 9,014,033 |
| (1,052,955) | (588,799) | 280,276 | (1,984,526) |
| 807,000 | 729,600 | - | 1,621,600 |
| - | - | - | 35,800 |
| 161,791 | 119,225 | 3,473 | 476,321 |
| - | - | (145,420) | (222,480) |
| 968,791 | 848,825 | (141,947) | 1,911,241 |
| (84,164) | 260,026 | 138,329 | (73,285) |
| 88,435 | 153,714 | 382,550 | 2,561,591 |
| 4,271 | 413,740 | 520,879 | 2,488,306 |
| 4,271 | - | 16,000 | 85,136 |
| - | - | - | 1,105,023 |
| - | - | 504,879 | 884,407 |
| - | 413,740 | - | 413,740 |
| 4,271 | 413,740 | 520,879 | 2,488,306 |

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, 2008

Total governmental funds cash balances (page 17) \$ 2,488,306

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

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

296,838

Cash basis net assets of governmental activities (page 15) \$ 2,785,144

Net change in cash balances (page 17) \$ (73,285)

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

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

119,973

Change in cash basis net assets of governmental activities (page 15) \$ 46,688

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, 2008

| | Enterprise | | | Internal Service |
|--|-------------------|------------------|------------------|---------------------|
| | Storm Water | Sewer | Total | |
| Operating receipts: | | | | |
| Charges for service | \$ 190,433 | 702,553 | 892,986 | 2,327,718 |
| Miscellaneous | - | 5,975 | 5,975 | 12,902 |
| Total operating receipts | <u>190,433</u> | <u>708,528</u> | <u>898,961</u> | <u>2,340,620</u> |
| Operating disbursements: | | | | |
| Governmental activities: | | | | |
| Public safety | - | - | - | 1,084,326 |
| Public works | - | - | - | 380,872 |
| Culture and recreation | - | - | - | 281,277 |
| General government | - | - | - | 278,719 |
| Business type activities | 137,198 | 351,547 | 488,745 | 197,116 |
| Total operating disbursements | <u>137,198</u> | <u>351,547</u> | <u>488,745</u> | <u>2,222,310</u> |
| Excess of operating receipts over operating disbursements | <u>53,235</u> | <u>356,981</u> | <u>410,216</u> | <u>118,310</u> |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 10,216 | 10,122 | 20,338 | 13,527 |
| Debt service | - | (224,675) | (224,675) | - |
| Total non-operating receipts (disbursements) | <u>10,216</u> | <u>(214,553)</u> | <u>(204,337)</u> | <u>13,527</u> |
| Excess of receipts over disbursements | 63,451 | 142,428 | 205,879 | 131,837 |
| Operating transfers out | <u>(128,996)</u> | <u>(124,845)</u> | <u>(253,841)</u> | <u>-</u> |
| Net change in cash balances | (65,545) | 17,583 | (47,962) | 131,837 |
| Cash balances beginning of year | <u>301,944</u> | <u>305,506</u> | <u>607,450</u> | <u>193,393</u> |
| Cash balances end of year | <u>\$ 236,399</u> | <u>323,089</u> | <u>559,488</u> | <u>325,230</u> |
| Cash Basis Fund Balances | | | | |
| Unreserved | <u>\$ 236,399</u> | <u>323,609</u> | <u>559,488</u> | <u>325,230</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, 2008

Total enterprise funds cash balances (page 20) \$ 559,488

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

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

28,392

Cash basis net assets of business type activities (page 15)

\$ 587,880

Net change in cash balances (page 20)

\$ (47,962)

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

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

11,864

Change in cash basis net assets of business type activities (page 15)

\$ (36,098)

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Atlantic is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides storm water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atlantic has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Discretely Presented Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 10 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2007 can be obtained from the Utility's administrative office, P.O. Box 517, 15 West Third Street, Atlantic, Iowa 50022.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's 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, 2008, disbursements exceeded the amounts budgeted in the public safety and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2008 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, 2008, the City had investments of \$14,680 in a money market account. The investment in the money market account is unrated for credit risk purposes.

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

(3) Bonds and Notes Payable

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

| Year Ending June 30, | General Obligation Notes | | General Obligation Bonds | | Tax Increment Financing (TIF) Revenue Bonds | |
|----------------------|--------------------------|----------------|--------------------------|----------------|---|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 405,000 | 107,167 | 215,000 | 48,293 | 97,000 | 24,748 |
| 2010 | 420,000 | 89,347 | 225,000 | 40,875 | 83,000 | 18,562 |
| 2011 | 355,000 | 70,368 | 115,000 | 33,113 | 64,500 | 12,897 |
| 2012 | 385,000 | 54,595 | 120,000 | 29,088 | 51,000 | 9,666 |
| 2013 | 300,000 | 37,123 | 125,000 | 24,768 | 27,500 | 6,872 |
| 2014-2018 | 485,000 | 38,056 | 530,000 | 50,740 | 92,000 | 10,781 |
| 2019-2023 | - | - | - | - | - | - |
| 2024-2025 | - | - | - | - | - | - |
| Total | \$ 2,350,000 | 396,656 | 1,330,000 | 226,877 | 415,000 | 83,526 |

| Year Ending June 30, | Local Option Sales and Services Tax Revenue Bonds | | Total | |
|----------------------|---|----------------|------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 61,056 | 51,169 | 778,056 | 231,377 |
| 2010 | 62,786 | 48,075 | 790,786 | 196,859 |
| 2011 | 64,600 | 44,887 | 599,100 | 161,265 |
| 2012 | 66,501 | 41,598 | 622,501 | 134,947 |
| 2013 | 73,493 | 38,206 | 525,993 | 106,969 |
| 2014-2018 | 250,855 | 149,165 | 1,357,855 | 248,742 |
| 2019-2023 | 317,124 | 82,896 | 317,124 | 82,896 |
| 2024-2025 | 149,181 | 10,825 | 149,181 | 10,825 |
| Total | \$ 1,045,596 | 466,821 | 5,140,596 | 1,173,880 |

On November 15, 2007, the City issued \$1,560,000 of general obligation corporate purpose bonds for constructing improvements at the municipal airport and street, storm water, sidewalk and curb and gutter improvements, including refunding \$800,000 of general obligation loan agreement anticipation refunding notes, series 2006B dated February 28, 2006. The bonds bear interest at 3.40% to 3.90% per annum and mature June 1, 2012.

The general obligation project anticipation notes, series 2006B matured on September 1, 2007 and the due date was extended until November 2007. The notes were redeemed on November 29, 2007 using a portion of the general obligation corporate purpose bonds issued on November 15, 2007. Principal of \$800,000 and interest of \$21,000 were paid during the year ended June 30, 2008.

Tax Increment Financing (TIF) Revenue Bonds – These were issued for the purpose of defraying a portion of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the individual urban renewal tax increment financing funds and the taxes to be paid into the funds in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing revenue bonds are to be expended only for purposes consistent with the plans of the City’s urban

renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

Local Option Sales and Services Tax Revenue Bonds – The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$1,000,000 of a local option sales and services tax revenue bonds, Series 2004 issued in March 2004. Proceeds from the bonds provided financing 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 and are payable through 2025. Annual principal and interest payments on the bonds are expected to require approximately 12% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$1,368,071. For the current year, principal and interest paid and total collections were \$80,004 and \$674,076, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

- (a) The bonds will only be redeemed from the future local option sales 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.

General Obligation Police and Parks Equipment Note – The City entered into general obligation equipment note agreement with Atlantic Municipal Utilities in March 2007. The City received and repaid \$85,000 during the year.

(4) 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.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$119,066, \$113,459 and \$113,231, respectively, equal to the required contributions for each year.

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

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

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

(5) 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, 2008, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|-------------------|-------------------|
| Vacation | \$ 116,000 |
| Compensatory time | 37,000 |
| Total | <u>\$ 153,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

| Transfer to | Transfer from | Amount |
|--|-------------------------|-------------------|
| General | Special Revenue: | |
| | Road Use Tax | \$ 30,000 |
| | Emergency | 44,378 |
| | Grant Matching | 9,954 |
| | Enterprise: | |
| | Storm Water | 30,000 |
| | Sewer | 30,000 |
| | | <u>144,332</u> |
| Special Revenue: Police Pension Local Option Sales Tax | Special Revenue: | |
| | Fire Pension | 3,473 |
| | Economic Development | 47,500 |
| | | <u>50,973</u> |
| Debt Service | Special Revenue: | |
| | Tax Increment Financing | 40,115 |
| | Enterprise: | |
| | Storm Water | 26,831 |
| | Sewer | 94,845 |
| | | <u>161,791</u> |
| Capital Projects | General | 47,060 |
| | Enterprise: | |
| | Storm Water | 72,165 |
| | | <u>119,225</u> |
| Total | | <u>\$ 476,321</u> |

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

(7) 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 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$101,123.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$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, 2008, 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.

(8) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Marsh Advantage America from the City’s Internal Service, Medical Benefit Self Insurance Fund. The City’s contribution to the fund for the year ended June 30, 2008 was \$500,862.

(9) Commitments

The City has entered into various construction contracts for street, airport improvements and hotel demolition totaling \$2,953,139. At June 30, 2008, \$94,454 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.

(10) Atlantic Municipal Utilities

The Atlantic Municipal Utilities (Utility) provides water and electric services to the City and its residents. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Utility for the year ended December 31, 2007.

| Condensed Statements of Net Assets | | |
|---|------------------------|---------------------|
| | Electric Department | Water Department |
| Assets | | |
| Current assets | \$ 5,435,505 | 319,091 |
| Capital assets, net of accumulated depreciation | 18,819,176 | 4,237,374 |
| Other | 6,830,561 | 967,614 |
| Total assets | 31,085,242 | 5,524,079 |
| Liabilities | | |
| Current liabilities | 1,886,255 | 456,694 |
| Other liabilities | 8,560,000 | 1,333,256 |
| Total liabilities | 10,446,255 | 1,789,950 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 12,101,643 | 2,716,519 |
| Restricted - expendable | 1,894,746 | 753,698 |
| Contributions in aid of construction | - | 828,391 |
| Unrestricted | 6,642,598 | (564,479) |
| Total net assets | \$ 20,638,987 | 3,734,129 |

| Condensed Statements of Income | | |
|---|------------------------|---------------------|
| | Electric Department | Water Department |
| Operating revenues: | | |
| Electric sales | \$ 7,323,641 | - |
| Water sales | - | 1,033,196 |
| Other | 66,512 | 9,635 |
| Total operating revenues | <u>7,390,153</u> | <u>1,042,831</u> |
| Operating expenses: | | |
| Production - power/water costs | 2,947,550 | 184,441 |
| Transmission and distribution | 1,040,241 | 209,508 |
| General and administrative | 2,125,468 | 549,999 |
| Total operating expenses | <u>6,113,259</u> | <u>943,948</u> |
| Operating income | <u>1,276,894</u> | <u>98,883</u> |
| Non-operating revenues (expenses): | | |
| Interest income | 180,796 | 42,458 |
| Interest expense | (92,356) | (57,537) |
| Other non-operating expenses | (14,798) | (4,469) |
| Total non-operating revenues (expenses) | <u>73,642</u> | <u>(19,548)</u> |
| Net income | <u>\$ 1,350,536</u> | <u>79,335</u> |

| Condensed Statements of Changes in Net Assets | | |
|---|------------------------|---------------------|
| | Electric Department | Water Department |
| Net assets beginning of year | \$ 19,564,915 | 3,736,117 |
| Net income | 1,350,536 | 79,335 |
| Contributions in aid of construction | - | 4,213 |
| Distribution to the City | <u>(276,464)</u> | <u>(85,536)</u> |
| Net assets end of year | <u>\$ 20,638,987</u> | <u>3,734,129</u> |

(11) Development Agreements

The City entered into two development agreements to assist in urban renewal projects. The City agreed to rebate 100% of the incremental tax paid by the developer, minus the amount of debt service taxes levied by the taxing jurisdictions and physical plant and equipment taxes levied by school districts, in exchange for construction of infrastructure by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed the lesser of actual cost of the public improvements paid for by the developer or \$186,000, plus interest. During the year ended June 30, 2008, the City paid the developer \$17,701 of principal. The outstanding principal balance on the agreement at June 30, 2008 is \$167,598.

The City also agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of a furniture store. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of five years beginning December 1, 2008 and semiannually thereafter until June 1, 2013. The total amount rebated shall not exceed \$50,000.

These agreements are not a general obligation of the City. However, the amounts to be rebated are subject to the constitutional debt limitation of the City.

(12) Subsequent Events

In January 2009, the City issued \$395,000 of general obligation fire equipment bonds for the purchase of a new fire truck. The City also entered into construction contracts for \$138,783 for street resurfacing and \$148,638 for sidewalk improvements.

City of Atlantic

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, 2008

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts: | | | |
| Property tax | \$ 2,728,825 | - | - |
| Tax increment financing | 247,992 | - | - |
| Other city tax | 804,559 | - | - |
| Licenses and permits | 28,908 | - | - |
| Use of money and property | 159,049 | 33,865 | 13,527 |
| Intergovernmental | 2,745,491 | - | - |
| Charges for service | 37,908 | 3,220,704 | 2,327,718 |
| Miscellaneous | 276,775 | 18,877 | 12,902 |
| Total receipts | <u>7,029,507</u> | <u>3,273,446</u> | <u>2,354,147</u> |
| Disbursements: | | | |
| Public safety | 2,128,960 | 1,084,326 | 1,084,326 |
| Public works | 1,460,714 | 380,872 | 380,872 |
| Health and social services | 9,998 | - | - |
| Culture and recreation | 518,574 | 281,277 | 281,277 |
| Community and economic development | 382,197 | - | - |
| General government | 505,944 | 278,719 | 278,719 |
| Debt service | 1,974,011 | - | - |
| Capital projects | 2,033,635 | - | - |
| Business type activities | - | 910,536 | 197,116 |
| Total disbursements | <u>9,014,033</u> | <u>2,935,730</u> | <u>2,222,310</u> |
| Excess (deficiency) of receipts over (under) disbursements | (1,984,526) | 337,716 | 131,837 |
| Other financing sources (uses), net | <u>1,911,241</u> | <u>(253,841)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (73,285) | 83,875 | 131,837 |
| Balances beginning of year | <u>2,561,591</u> | <u>800,843</u> | <u>193,393</u> |
| Balances end of year | <u>\$ 2,488,306</u> | <u>884,718</u> | <u>325,230</u> |

See accompanying independent auditor's report.

| Net | Budgeted Amounts | | Final to Net Variance |
|------------------|------------------|------------------|-----------------------------|
| | Original | Final | |
| 2,728,825 | 2,738,352 | 2,738,352 | (9,527) |
| 247,992 | 235,323 | 235,323 | 12,669 |
| 804,559 | 815,809 | 815,809 | (11,250) |
| 28,908 | 22,750 | 22,750 | 6,158 |
| 179,387 | 98,150 | 98,150 | 81,237 |
| 2,745,491 | 1,807,163 | 2,652,163 | 93,328 |
| 930,894 | 847,300 | 847,300 | 83,594 |
| 282,750 | 341,725 | 371,725 | (88,975) |
| <u>7,948,806</u> | <u>6,906,572</u> | <u>7,781,572</u> | <u>167,234</u> |
| 2,128,960 | 1,975,401 | 2,091,401 | (37,559) |
| 1,460,714 | 1,493,569 | 1,607,569 | 146,855 |
| 9,998 | 12,000 | 12,000 | 2,002 |
| 518,574 | 534,941 | 554,941 | 36,367 |
| 382,197 | 331,104 | 401,104 | 18,907 |
| 505,944 | 537,239 | 543,239 | 37,295 |
| 1,974,011 | 1,012,027 | 1,977,027 | 3,016 |
| 2,033,635 | 824,812 | 2,010,812 | (22,823) |
| 713,420 | 768,878 | 768,878 | 55,458 |
| <u>9,727,453</u> | <u>7,489,971</u> | <u>9,966,971</u> | <u>239,518</u> |
| (1,778,647) | (583,399) | (2,185,399) | 406,752 |
| <u>1,657,400</u> | <u>-</u> | <u>1,536,600</u> | <u>120,800</u> |
| (121,247) | (583,399) | (648,799) | 527,552 |
| <u>3,169,041</u> | <u>2,733,500</u> | <u>3,241,223</u> | <u>(72,182)</u> |
| <u>3,047,794</u> | <u>2,150,101</u> | <u>2,592,424</u> | <u>455,370</u> |

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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. 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 Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,477,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and capital projects functions.

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, 2008

| | Employees' Benefits | Cafeteria Plan | Police Pension |
|--|------------------------|-------------------|-------------------|
| Receipts: | | | |
| Property tax | \$ 754,695 | - | 21,264 |
| Tax increment financing | - | - | - |
| Other city tax | 13,854 | - | 388 |
| Use of money and property | 402 | - | - |
| Miscellaneous | 48,980 | 6,900 | - |
| Total receipts | 817,931 | 6,900 | 21,652 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 350,536 | - | 23,476 |
| Public works | 162,754 | - | - |
| Culture and recreation | 69,020 | - | - |
| Community and economic development | - | - | - |
| General government | 94,188 | 6,009 | - |
| Debt service | - | - | - |
| Total disbursements | 676,498 | 6,009 | 23,476 |
| Excess (deficiency) of receipts over (under) disbursements | 141,433 | 891 | (1,824) |
| Other financing sources (uses): | | | |
| Operating transfers in | - | - | 3,473 |
| Operating transfers out | - | - | - |
| Total other financing sources (uses) | - | - | 3,473 |
| Net change in cash balances | 141,433 | 891 | 1,649 |
| Cash balances beginning of year | (48,561) | 1,554 | 2,507 |
| Cash balances end of year | \$ 92,872 | 2,445 | 4,156 |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | \$ - | - | - |
| Unreserved: | | | |
| Special revenue funds | 92,872 | 2,445 | 4,156 |
| Total | \$ 92,872 | 2,445 | 4,156 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | |
|-----------------|-----------|-------------------------|-------------------------------------|----------------------|----------------|-----------|--|
| Fire Pension | Emergency | Tax Increment Financing | Economic Development Revolving Loan | Economic Development | Grant Matching | Total | |
| 21,263 | 42,397 | - | - | - | - | 839,619 | |
| - | - | 247,992 | - | - | - | 247,992 | |
| 388 | 776 | - | - | - | - | 15,406 | |
| 5,823 | - | - | 3,949 | - | - | 10,174 | |
| - | - | - | - | - | - | 55,880 | |
| 27,474 | 43,173 | 247,992 | 3,949 | - | - | 1,169,071 | |
| 15,452 | - | - | - | - | - | 389,464 | |
| - | - | - | - | - | - | 162,754 | |
| - | - | - | - | - | - | 69,020 | |
| - | - | 21,561 | - | - | - | 21,561 | |
| - | - | - | - | - | - | 100,197 | |
| - | - | 145,799 | - | - | - | 145,799 | |
| 15,452 | - | 167,360 | - | - | - | 888,795 | |
| 12,022 | 43,173 | 80,632 | 3,949 | - | - | 280,276 | |
| - | - | - | - | - | - | 3,473 | |
| (3,473) | (44,378) | (40,115) | - | (47,500) | (9,954) | (145,420) | |
| (3,473) | (44,378) | (40,115) | - | (47,500) | (9,954) | (141,947) | |
| 8,549 | (1,205) | 40,517 | 3,949 | (47,500) | (9,954) | 138,329 | |
| 130,651 | 1,303 | 73,546 | 119,050 | 47,500 | 55,000 | 382,550 | |
| 139,200 | 98 | 114,063 | 122,999 | - | 45,046 | 520,879 | |
| - | - | 16,000 | - | - | - | 16,000 | |
| 139,200 | 98 | 98,063 | 122,999 | - | 45,046 | 504,879 | |
| 139,200 | 98 | 114,063 | 122,999 | - | 45,046 | 520,879 | |

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, 2008

| | Payroll Revolving | Medical Benefit Self Insurance | Total |
|---|----------------------|---|------------------|
| Operating receipts: | | | |
| Charges for service: | | | |
| Personal service costs from operating funds | \$ 1,826,856 | 500,862 | 2,327,718 |
| Miscellaneous: | | | |
| Refunds | - | 12,902 | 12,902 |
| Total operating receipts | <u>1,826,856</u> | <u>513,764</u> | <u>2,340,620</u> |
| Operating disbursements: | | | |
| Governmental activities: | | | |
| Public safety | 882,396 | 201,930 | 1,084,326 |
| Public works | 298,650 | 82,222 | 380,872 |
| Culture and recreation | 252,580 | 28,697 | 281,277 |
| General government | 231,705 | 47,014 | 278,719 |
| Business type activities | 161,525 | 35,591 | 197,116 |
| Total operating disbursements | <u>1,826,856</u> | <u>395,454</u> | <u>2,222,310</u> |
| Excess of operating receipts over operating disbursements | - | 118,310 | 118,310 |
| Non-operating receipts: | | | |
| Interest on investments | - | 13,527 | 13,527 |
| Net change in cash balances | - | 131,837 | 131,837 |
| Balance beginning of year | - | 193,393 | 193,393 |
| Balance end of year | <u>\$ -</u> | <u>325,230</u> | <u>325,230</u> |

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic
Schedule of Indebtedness
Year ended June 30, 2008

| 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 |
| Street improvements | Jul 1, 2004 | 2.00-4.35 | 500,000 |
| Corporate purpose | Feb 15, 2006 | 3.50-4.10 | 375,000 |
| Corporate purpose | Aug 15, 2006 | 4.10-4.45 | 150,000 |
| Total | | | |
| General obligation bonds: | | | |
| Corporate purpose | Nov 15, 2007 | 3.40-3.90 | \$ 1,560,000 |
| Tax increment financing (TIF) revenue bonds: | | | |
| Skyjack (TIF) | Dec 1, 1994 | 8.25-9.10% | \$ 145,000 |
| Skyjack (TIF) | Dec 1, 1995 | 6.70-7.30 | 115,000 |
| Skyjack (TIF) | Jun 1, 1997 | 7.65-8.15 | 90,000 |
| Southeast urban renewal | Feb 1, 1998 | 4.40-5.15 | 175,000 |
| Country Oaks Addition | Jul 1, 2001 | 4.30-5.20 | 200,000 |
| North urban renewal business park | Mar 21, 2006 | 5.75 | 255,000 |
| Total | | | |
| Revenue bonds: | | | |
| Local option sales and services tax | Sep 1, 1997 | 4.70-5.65% | \$ 300,000 |
| Local option sales and services tax | Mar 1, 2004 | 4.80 | 1,000,000 |
| Total | | | |
| Revenue notes: | | | |
| Sewer | Dec 1, 1998 | 4.10-4.50% | \$ 850,000 |
| General obligation project anticipation notes: | | | |
| Airport improvement project | Feb 28, 2006 | 3.50% | \$ 800,000 |
| Loan agreement: | | | |
| General obligation police and parks equipment note: | | | |
| Atlantic Municipal Utilities | Mar 5, 2007 | 0.00% | \$ 85,000 |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| 60,000 | - | 20,000 | 40,000 | 4,170 | - |
| 25,000 | - | 25,000 | - | 1,838 | - |
| 65,000 | - | 30,000 | 35,000 | 2,555 | - |
| 550,000 | - | 50,000 | 500,000 | 28,318 | - |
| 985,000 | - | 165,000 | 820,000 | 46,610 | - |
| 190,000 | - | 30,000 | 160,000 | 6,258 | - |
| 80,000 | - | 10,000 | 70,000 | 3,278 | - |
| 365,000 | - | 45,000 | 320,000 | 14,215 | - |
| 305,000 | - | 35,000 | 270,000 | 11,690 | - |
| 150,000 | - | 15,000 | 135,000 | 6,428 | - |
| \$ 2,775,000 | - | 425,000 | 2,350,000 | 125,360 | - |
| - | 1,560,000 | 230,000 | 1,330,000 | 30,550 | - |
| 45,000 | - | 15,000 | 30,000 | 4,095 | - |
| 45,000 | - | 10,000 | 35,000 | 2,918 | - |
| 30,000 | - | 10,000 | 20,000 | 2,440 | - |
| 40,000 | - | 20,000 | 20,000 | 2,040 | - |
| 115,000 | - | 20,000 | 95,000 | 5,765 | - |
| 255,000 | - | 40,000 | 215,000 | 13,541 | - |
| \$ 530,000 | - | 115,000 | 415,000 | 30,799 | - |
| 150,000 | - | 20,000 | 130,000 | 8,300 | - |
| 950,000 | - | 34,404 | 915,596 | 45,600 | - |
| \$ 1,100,000 | - | 54,404 | 1,045,596 | 53,900 | - |
| 215,000 | - | 215,000 | - | 9,675 | - |
| 800,000 | - | 800,000 | - | 21,000 | - |
| - | 85,000 | 85,000 | - | - | - |

City of Atlantic
Bond and Note Maturities
June 30, 2008

| General Obligation Notes | | | | | | | | | | |
|----------------------------|-------------------------|------------------|---------------------|------------------|------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| Year Ending June 30, | Economic Development | | Airport Improvement | | Swimming Pool Improvement | | Corporate Purpose | | Corporate Purpose | |
| | Issued Feb 1, 1994 | | Issued Aug 1, 1999 | | Issued Mar 1, 2001 | | Issued Apr 1, 2002 | | Issued Apr 1, 2003 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2009 | 6.95% | \$ 20,000 | 5.10% | \$ 15,000 | 4.95 | \$ 50,000 | 4.60% | \$ 180,000 | 3.00% | \$ 30,000 |
| 2010 | 7.00 | 20,000 | 5.20 | 20,000 | 5.00 | 55,000 | 4.70 | 180,000 | 3.20 | 30,000 |
| 2011 | - | - | - | - | 5.05 | 60,000 | 4.80 | 150,000 | 3.40 | 30,000 |
| 2012 | - | - | - | - | 5.10 | 60,000 | 4.90 | 165,000 | 3.55 | 35,000 |
| 2013 | - | - | - | - | 5.20 | 65,000 | 5.00 | 70,000 | 3.70 | 35,000 |
| 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>\$ 40,000</u> | | <u>\$ 35,000</u> | | <u>\$ 500,000</u> | | <u>\$ 820,000</u> | | <u>\$ 160,000</u> |

| Tax Increment Financing (TIF) Revenue Bonds | | | | | | | | | | |
|---|--------------------|------------------|--------------------|------------------|--------------------|------------------|----------------------------|------------------|--------------------------|------------------|
| Year Ending June 30, | Skyjack (TIF) | | Skyjack (TIF) | | Skyjack (TIF) | | Southeast Urban Renewal | | Country Oaks Addition | |
| | Issued Dec 1, 1994 | | Issued Dec 1, 1995 | | Issued Jun 1, 1997 | | Issued Feb 1, 1998 | | Issued Jul 1, 2001 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2009 | 9.10% | \$ 15,000 | 7.30% | \$ 10,000 | 8.15% | \$ 10,000 | 5.15% | \$ 20,000 | 4.90% | \$ 20,000 |
| 2010 | 9.10 | 15,000 | 7.30 | 10,000 | 8.15 | 10,000 | - | - | 5.00 | 25,000 |
| 2011 | - | - | 7.30 | 15,000 | - | - | - | - | 5.10 | 25,000 |
| 2012 | - | - | - | - | - | - | - | - | 5.20 | 25,000 |
| 2013 | - | - | - | - | - | - | - | - | - | - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | - | - | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - |
| Total | | <u>\$ 30,000</u> | | <u>\$ 35,000</u> | | <u>\$ 20,000</u> | | <u>\$ 20,000</u> | | <u>\$ 95,000</u> |

Schedule 4

City of Atlantic
Bond and Note Maturities
June 30, 2008

| Year Ending June 30, | Revenue Bonds | | | | | Total |
|----------------------------|--|-------------------|--|-------------------|------------------|-------|
| | Local Option Sales and Services Tax | | Local Option Sales and Services Tax | | | |
| | Issued Sep 1, 1997 | | Issued Mar 1, 2004 | | | |
| | Interest Rates | Amount | Interest Rates | Amount | | |
| 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>\$ 130,000</u> | | <u>\$ 915,596</u> | <u>1,045,596</u> | |

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic

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

For the Last Eight Years

| | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 2,728,825 | 2,563,716 | 2,439,308 | 2,377,815 |
| Tax increment financing | 247,992 | 238,660 | 158,355 | 212,041 |
| Other city tax | 804,559 | 842,804 | 695,683 | 653,490 |
| Licenses and permits | 28,908 | 26,704 | 29,882 | 26,464 |
| Use of money and property | 159,049 | 171,874 | 135,334 | 74,608 |
| Intergovernmental | 2,745,491 | 4,085,700 | 3,622,092 | 2,603,514 |
| Charges for service | 37,908 | 38,493 | 41,544 | 33,986 |
| Special assessments | - | - | 729 | 7,624 |
| Miscellaneous | 276,775 | 476,955 | 454,504 | 497,487 |
| Total | \$ 7,029,507 | 8,444,906 | 7,577,431 | 6,487,029 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 2,128,960 | 1,951,333 | 1,965,094 | 1,468,009 |
| Public works | 1,460,714 | 1,131,099 | 1,194,866 | 977,604 |
| Health and social services | 9,998 | - | 12,385 | 21,873 |
| Culture and recreation | 518,574 | 553,493 | 423,996 | 405,853 |
| Community and economic development | 382,197 | 256,151 | 494,547 | 121,653 |
| General government | 505,944 | 499,782 | 456,453 | 429,838 |
| Debt service | 1,974,011 | 1,100,134 | 1,079,642 | 1,239,380 |
| Capital projects | 2,033,635 | 3,475,138 | 3,213,291 | 2,885,382 |
| Total | \$ 9,014,033 | 8,967,130 | 8,840,274 | 7,549,592 |

See accompanying independent auditor's report.

| 2004 | 2003 | 2002 | 2001 |
|-----------|-----------|-----------|-----------|
| 2,330,119 | 2,342,037 | 2,018,353 | 1,933,724 |
| 177,535 | 178,049 | 132,195 | 163,000 |
| 737,569 | 660,723 | 587,392 | 526,872 |
| 27,075 | 19,802 | 18,572 | 19,343 |
| 61,512 | 80,735 | 116,095 | 172,681 |
| 1,670,043 | 2,119,797 | 899,730 | 1,084,953 |
| 52,715 | 45,899 | 44,919 | 48,656 |
| 10,858 | 12,909 | 12,260 | 15,425 |
| 1,305,812 | 2,135,906 | 462,629 | 412,381 |
| 6,373,238 | 7,595,857 | 4,292,145 | 4,377,035 |
| 1,199,522 | 1,199,427 | 1,228,883 | 1,126,155 |
| 1,120,237 | 937,371 | 737,446 | 777,057 |
| 2,980 | - | 2,411 | 3,374 |
| 421,150 | 430,953 | 360,410 | 366,234 |
| 103,790 | 100,569 | 229,574 | 290,920 |
| 429,845 | 438,215 | 391,533 | 365,498 |
| 2,042,651 | 1,118,732 | 883,710 | 786,226 |
| 3,574,090 | 4,297,777 | 2,809,890 | 1,075,539 |
| 8,894,265 | 8,523,044 | 6,643,857 | 4,791,003 |

Schedule 6

City of Atlantic
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

| 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 | 3-19-0005-05-2005 | \$ 88,714 |
| Airport Improvement Program | 20.106 | 3-19-0005-06-2006 | 255,457 |
| | | | <u>344,171</u> |
| U.S. Department of Homeland Security: | | | |
| Emergency Preparedness and Response Directorate (FEMA) | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2006-FG-09375 | 100,057 |
| Total direct | | | <u>444,228</u> |
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grants/State's Program | 14.228 | 06-HSG-083 | 232,889 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-U-0285(611)--70-15 | 512,000 |
| U.S. Department of Homeland Security | | | |
| Iowa Homeland Security and Emergency Management Division: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA 1705 DR IA | 32,195 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA 1763 DR IA | 703 |
| | | | <u>32,898</u> |
| Homeland Security Grant Program Law Enforcement Terrorism Prevention Program (LETTP) | 97.067 | FY2006-LETTP-LEIN4-04 | 206,271 |
| Homeland Security Grant Program Law Enforcement Terrorism Prevention Program (LETTP) | 97.067 | FY2007-LETTP-LEIN4-04 | 165,098 |
| | | | <u>371,369</u> |
| Total indirect | | | <u>1,149,156</u> |
| Total | | | <u>\$ 1,593,384</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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2009. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Atlantic Municipal Utilities, a discretely presented component unit, as described in our report on the City of Atlantic's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Atlantic's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Atlantic's financial statements that is more than inconsequential will not be prevented or detected by the City of Atlantic's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Atlantic's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above 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.

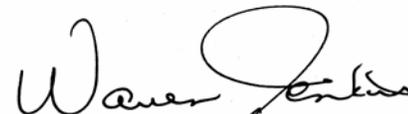
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Atlantic and other parties to whom the City of Atlantic may report, 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

March 16, 2009

**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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 each of its major federal programs for the year ended June 30, 2008. The City of Atlantic's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

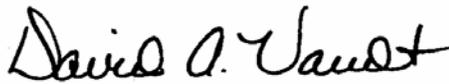
The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Atlantic's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance 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

March 16, 2009

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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 significant deficiency 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 major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (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 programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.067 – Law Enforcement Terrorism Prevention 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, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-08 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 listing receipts and disbursements of the Volunteer Fire Department on the Clerk and Treasurer’s reports.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation”.

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

Response – In the future we will amend the budget before disbursements are made which exceed the original budgeted amount.

Conclusion – Response accepted.

IV-B-08 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction | Asphalt work, per bid | \$ 87,617 |

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-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

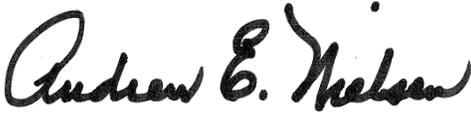
IV-H-08 Revenue Bonds and Notes – No instances of non-compliance with provisions of the revenue bond and note resolutions were noted.

City of Atlantic

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor
James R. Wittenwyler, Staff Auditor
Stephanie A. Sissel, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i'.

Andrew E. Nielsen, CPA
Deputy Auditor of State