



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 25, 2010

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$7,833,293 for the year ended June 30, 2009, a 19 percent decrease from 2008. The receipts included \$2,899,126 in property tax, \$109,725 from tax increment financing, \$1,003,074 from charges for service, \$1,992,621 from operating grants, contributions and restricted interest, \$441,649 from capital grants, contributions and restricted interest, \$774,698 from local option sales tax, \$35,432 from unrestricted interest on investments, \$441,000 from bond and note proceeds and \$135,968 from other general receipts.

Disbursements for the year totaled \$7,617,524, a 21 percent decrease from the prior year, and included \$1,909,171 for public safety, \$1,509,222 for public works and \$1,389,972 for capital projects. Also, disbursements for business type activities totaled \$437,674.

The significant decrease in receipts and disbursements is due primarily to completion of capital project activity, receipt of bond proceeds and repayment of general obligation anticipation notes in the prior year.

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/index.html>.

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CITY OF ATLANTIC

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

JUNE 30, 2009

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City of Atlantic

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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/Treasurer	Jan 2010
Sue Muri	Treasurer	(Resigned)
Brian Daiker	Attorney	Jan 2009
David L. Wiederstein	Attorney	Jan 2010

City of Atlantic



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2009, 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, 2008 have been audited by another auditor and are available from the component unit. The report of the other auditor, dated March 3, 2009, 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, 2009, 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.

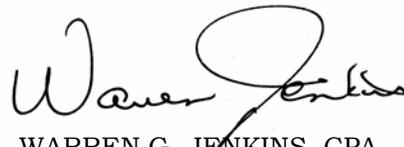
In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2010 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Atlantic. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (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

February 25, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 21%, or approximately \$1,826,000, from fiscal year 2008 to fiscal year 2009. Bond proceeds decreased approximately \$1,181,000 and operating and capital grants and contributions decreased approximately \$718,000.
- Disbursements of the City's governmental activities decreased 19.5%, or approximately \$1,741,000, in fiscal year 2009 over fiscal year 2008. Public safety, community and economic development, capital projects and debt service disbursements decreased approximately \$167,000, \$172,000, \$644,000 and \$879,000, respectively.
- The City's total cash basis net assets increased 6.4%, or approximately \$216,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$79,000 and the assets of the business type activities increased approximately \$295,000.

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, Employee Benefits and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

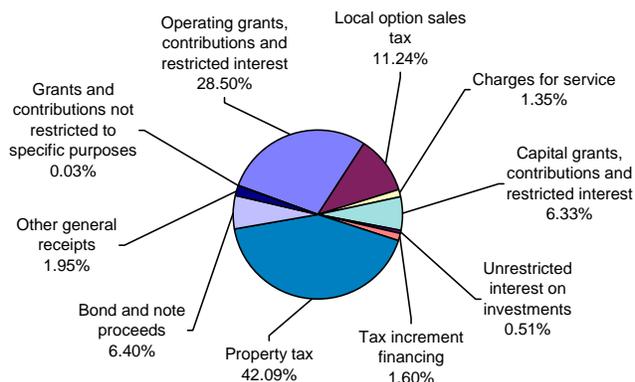
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

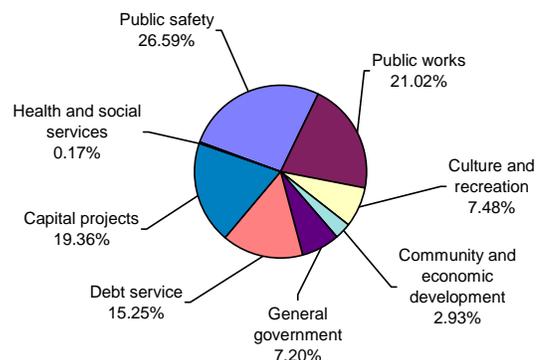
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.79 million to approximately \$2.71 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 93	74
Operating grants, contributions and restricted interest	1,963	1,794
Capital grants, contributions and restricted interest	436	1,323
General receipts:		
Property tax	2,899	2,779
Tax increment financing	110	248
Local option sales tax	774	674
Grants and contributions not restricted to specific purposes	2	-
Unrestricted interest on investments	35	73
Bond and note proceeds	441	1,622
Other general receipts	134	126
Total receipts	6,887	8,713
Disbursements:		
Public safety	1,909	2,076
Public works	1,509	1,439
Health and social services	12	10
Culture and recreation	537	511
Community and economic development	210	382
General government	517	494
Debt service	1,095	1,974
Capital projects	1,390	2,034
Total disbursements	7,179	8,920
Change in cash basis net assets before transfers	(292)	(207)
Transfers	213	254
Change in cash basis net assets	(79)	47
Cash basis net assets beginning of year	2,785	2,738
Cash basis net assets end of year	\$ 2,706	2,785

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 21%, or approximately \$1,826,000. The total cost of all programs and services decreased approximately \$1,741,000, or 19.5%.

The City decreased property tax rates for fiscal year 2009 an average of 40%. This decrease, in conjunction with an increase in taxable valuation, raised the City's property tax receipts approximately \$120,000 in fiscal year 2009. Based on increases in the total taxable valuation for fiscal year 2010 and a decrease in property tax rates, property tax receipts are budgeted to decrease approximately \$241,000 next year.

The cost of all governmental activities this year was approximately \$7.18 million compared to approximately \$8.92 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$4.69 million because some of the cost was paid by those directly benefited from the programs (\$93,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$2,399,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,609,000 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 192	190
Sewer	718	703
Operating grants, contributions and restricted interest	30	27
Capital grants, contributions and restricted interest	6	-
Total receipts	<u>946</u>	<u>920</u>
Disbursements:		
Storm water	19	137
Sewer	419	565
Total disbursements	<u>438</u>	<u>702</u>
Changes in cash basis net assets before transfers	508	218
Transfers	<u>(213)</u>	<u>(254)</u>
Change in cash basis net assets	295	(36)
Cash basis net assets beginning of year	588	624
Cash basis net assets end of year	<u>\$ 883</u>	<u>588</u>

Total business type activities receipts for the fiscal year were approximately \$946,000 compared to approximately \$920,000 last year. This increase was due primarily to increased sewer use fees collected and fees collected from the County for processing leachate. The cash balance increased approximately \$295,000 from the prior year because there were fewer projects funded by storm water utility fees. Total disbursements for the fiscal year decreased 38% to a total of approximately \$438,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$2,358,902, a decrease of approximately \$129,000 below last year's total of \$2,488,306. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$362,778 over the prior year to \$1,467,801. Total receipts increased 13% and total disbursements increased 4.5%. Bond and note proceeds increased \$356,000 to \$441,000 in fiscal year 2009 for the purchase of a new fire truck, police car, computer and conservation tractor. Jet fuel sales increased \$281,000, property tax increased \$91,000, donations increased \$81,000 and intergovernmental revenues decreased \$159,000. Disbursements increased \$140,000 due primarily to the partial payment on the fire truck.
- The Special Revenue, Road Use Tax Fund cash balance increased \$3,018 over the prior year to \$339,401. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Special Revenue, Employee Benefits Fund cash balance increased \$117,335 to \$210,207 at the end of the fiscal year as receipts exceeded disbursements. Receipts decreased 8.07%, primarily due to the decrease in the employee benefits tax levy from \$5.08876 per \$1,000 of taxable valuation to \$4.27001 per \$1,000 of taxable valuation and disbursements decreased 5.52% in fiscal year 2009.
- The Special Revenue, Local Option Sales Tax (LOST) Fund was established to account for special sales tax collected. During the fiscal year, revenues and transfers-in decreased \$44,109, or 9.53%, from the prior year to \$418,721. Disbursements and transfers-out also decreased \$126,357 to \$426,114. The decrease in disbursements was due primarily to the demolition of the Atlantic Hotel in fiscal year 2008 with no such project undertaken in fiscal year 2009.
- The Debt Service Fund cash balance increased \$3,067 over the prior year to \$7,338 at the end of the fiscal year.
- The Capital Projects Fund cash balance decreased \$559,197 to (\$145,457) at the end of the fiscal year. The decrease was due primarily to the funding of several projects, with grant reimbursements for the projects not being received until fiscal year 2010.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. The cash balance increased \$68,839 over the prior year to \$305,238. Disbursements decreased primarily due to fewer projects being funded with storm water utility fees.
- The Sewer Fund cash balance increased \$221,016 to \$544,105. Sewer rental collections increased \$15,101 and disbursements decreased \$153,268, primarily due to the retirement of debt in fiscal year 2008 with sewer revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2009 and resulted in an increase of \$385,000 in operating disbursements related to the purchase of additional equipment and capital improvement projects. The City received a grant, donations and had sufficient cash balances to absorb these additional costs.

The City's receipts were \$179,889 more than budgeted. This was primarily due to the City receiving Federal and state grants as part of the Schildberg Quarry Recreational Area project and CDBG housing project monies not budgeted.

With the amendment, total disbursements were \$1,412,006 less than the amended budget. Actual disbursements for the public safety, public works, capital projects and business type activities functions were \$320,045, \$288,942, \$483,786 and \$165,627, respectively, less than the amended budget. This is primarily due to slower progress in the wastewater treatment plant improvements and East Ridge Park Projects.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$4,727,540 in bonds, notes and other long-term debt outstanding, compared to \$5,140,596 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation notes/bonds	\$ 3,425,000	3,680,000
Tax increment financing (TIF) revenue bonds	318,000	415,000
Local option sales and services tax revenue bonds	984,540	1,045,596
Total	\$ 4,727,540	5,140,596

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation, TIF and LOST revenue debt of \$4,917,794 (including \$190,254 in development and rebate agreements) is significantly below its constitutional debt limit of approximately \$14,952,000. 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 2010 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$2.66 million, a decrease of 8% from the final fiscal year 2009 budget. The decrease is due to the elimination of the emergency tax levy (\$.27) and a significant reduction (\$1.39) in the tax levy for employee benefits. Even with the decreases, the City will continue to finance programs currently offered. Budgeted disbursements are expected to increase approximately \$11,142,000. The increase is due to construction of a new wastewater treatment plant. The City has added no major new programs or initiatives to the fiscal year 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$900,000 by the close of fiscal year 2010. This is due in part to the City accumulating reserves from the fees collected due to an increase in the sewer use rate. A portion of the reserves will be used in fiscal year 2011 to help fund the construction of the new wastewater treatment plant, as it will be closer to completion at that time.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,909,171	19,386	440,896	-
Public works	1,509,222	-	1,427,137	-
Health and social services	11,993	-	-	-
Culture and recreation	537,463	29,374	66,691	-
Community and economic development	210,407	350	15,939	-
General government	516,845	43,939	-	-
Debt service	1,094,777	-	11,894	-
Capital projects	1,389,972	-	-	436,160
Total governmental activities	7,179,850	93,049	1,962,557	436,160
Business type activities:				
Storm water	18,904	192,371	8,125	5,489
Sewer	418,770	717,654	21,939	-
Total business type activities	437,674	910,025	30,064	5,489
Total	\$ 7,617,524	1,003,074	1,992,621	441,649
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to a specific purpose				
Unrestricted interest on investments				
Bond and note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Local option sales tax				
Debt service				
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
(1,448,889)	-	(1,448,889)
(82,085)	-	(82,085)
(11,993)	-	(11,993)
(441,398)	-	(441,398)
(194,118)	-	(194,118)
(472,906)	-	(472,906)
(1,082,883)	-	(1,082,883)
(953,812)	-	(953,812)
(4,688,084)	-	(4,688,084)
-	187,081	187,081
-	320,823	320,823
-	507,904	507,904
(4,688,084)	507,904	(4,180,180)
2,268,890	-	2,268,890
630,236	-	630,236
109,725	-	109,725
774,698	-	774,698
1,874	-	1,874
35,432	-	35,432
441,000	-	441,000
134,094	-	134,094
213,069	(213,069)	-
4,609,018	(213,069)	4,395,949
(79,066)	294,835	215,769
2,785,144	587,880	3,373,024
\$ 2,706,078	882,715	3,588,793
\$ 339,401	-	339,401
70,617	-	70,617
53,338	-	53,338
573,202	-	573,202
1,669,520	882,715	2,552,235
\$ 2,706,078	882,715	3,588,793

City of Atlantic

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

As of and for the year ended June 30, 2009

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,449,488	-	689,741	-
Tax increment financing	-	-	-	-
Other city tax	286,067	-	12,345	412,037
Licenses and permits	43,929	-	-	2,400
Use of money and property	77,340	-	1,426	1,460
Intergovernmental	660,667	602,112	-	-
Charges for service	39,586	-	-	-
Miscellaneous	614,518	4,642	48,387	2,824
Total receipts	3,171,595	606,754	751,899	418,721
Disbursements:				
Operating:				
Public safety	1,551,902	-	337,700	-
Public works	780,008	573,736	147,200	15,746
Health and social services	-	-	-	11,993
Culture and recreation	474,128	-	65,765	-
Community and economic development	92,878	-	-	86,991
General government	391,737	-	88,469	31,397
Debt service	-	-	-	229,987
Capital projects	-	-	-	-
Total disbursements	3,290,653	573,736	639,134	376,114
Excess (deficiency) of receipts over (under) disbursements	(119,058)	33,018	112,765	42,607
Other financing sources (uses):				
Bond and note proceeds	441,000	-	-	-
Operating transfers in	136,965	-	4,570	-
Operating transfers out	(96,129)	(30,000)	-	(50,000)
Total other financing sources (uses)	481,836	(30,000)	4,570	(50,000)
Net change in cash balances	362,778	3,018	117,335	(7,393)
Cash balances beginning of year	1,105,023	336,383	92,872	108,010
Cash balances end of year	\$ 1,467,801	339,401	210,207	100,617
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	30,000
Unreserved:				
General fund	1,467,801	-	-	-
Special revenue funds	-	339,401	210,207	70,617
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 1,467,801	339,401	210,207	100,617

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
619,650	-	89,620	2,848,499
-	-	109,725	109,725
10,587	184,688	1,667	907,391
-	-	-	46,329
11,894	14,938	8,260	115,318
-	362,893	-	1,625,672
-	-	-	39,586
-	60,094	8,070	738,535
642,131	622,613	217,342	6,431,055
-	-	39,645	1,929,247
-	-	-	1,516,690
-	-	-	11,993
-	-	-	539,893
-	-	30,537	210,406
-	-	9,947	521,550
743,043	-	121,747	1,094,777
-	1,389,972	-	1,389,972
743,043	1,389,972	201,876	7,214,528
(100,912)	(767,359)	15,466	(783,473)
-	-	-	441,000
103,979	208,162	-	453,676
-	-	(64,478)	(240,607)
103,979	208,162	(64,478)	654,069
3,067	(559,197)	(49,012)	(129,404)
4,271	413,740	428,007	2,488,306
7,338	(145,457)	378,995	2,358,902
7,338	-	16,000	53,338
-	-	-	1,467,801
-	-	362,995	983,220
-	(145,457)	-	(145,457)
7,338	(145,457)	378,995	2,358,902

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, 2009

Total governmental funds cash balances (page 17) \$ 2,358,902

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.

347,176

Cash basis net assets of governmental activities (page 15)

\$ 2,706,078

Net change in cash balances (page 17)

\$ (129,404)

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.

50,338

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

\$ (79,066)

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, 2009

	Enterprise			Internal Service
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 192,371	717,654	910,025	2,318,388
Miscellaneous	-	13,379	13,379	10,148
Total operating receipts	<u>192,371</u>	<u>731,033</u>	<u>923,404</u>	<u>2,328,536</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,123,368
Public works	-	-	-	397,663
Culture and recreation	-	-	-	273,194
General government	-	-	-	277,908
Business type activities	18,904	422,954	441,858	207,392
Total operating disbursements	<u>18,904</u>	<u>422,954</u>	<u>441,858</u>	<u>2,279,525</u>
Excess of operating receipts over operating disbursements	<u>173,467</u>	<u>308,079</u>	<u>481,546</u>	<u>49,011</u>
Non-operating receipts:				
Interest on investments	8,125	7,764	15,889	6,307
Intergovernmental	5,489	-	5,489	-
Total non-operating receipts	<u>13,614</u>	<u>7,764</u>	<u>21,378</u>	<u>6,307</u>
Excess of receipts over disbursements	187,081	315,843	502,924	55,318
Operating transfers out	<u>(118,242)</u>	<u>(94,827)</u>	<u>(213,069)</u>	-
Net change in cash balances	68,839	221,016	289,855	55,318
Cash balances beginning of year	<u>236,399</u>	<u>323,089</u>	<u>559,488</u>	<u>325,230</u>
Cash balances end of year	<u>\$ 305,238</u>	<u>544,105</u>	<u>849,343</u>	<u>380,548</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 305,238</u>	<u>544,105</u>	<u>849,343</u>	<u>380,548</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, 2009

Total enterprise funds cash balances (page 20) \$ 849,343

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.

33,372

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

\$ 882,715

Net change in cash balances (page 20)

\$ 289,855

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.

4,980

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

\$ 294,835

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 10 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2008 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 Employee Benefits Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.

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

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

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

The City reports the following major proprietary funds:

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

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

The City reports the following additional proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2009 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, 2009, the City had investments of \$71,880 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
2010	\$ 420,000	89,347	260,000	57,115	83,000	18,562
2011	355,000	70,368	150,000	47,761	64,500	12,897
2012	385,000	54,595	160,000	42,143	51,000	9,666
2013	300,000	37,123	165,000	36,003	27,500	6,872
2014	275,000	23,512	170,000	29,720	29,000	5,290
2015-2019	210,000	14,545	575,000	50,480	63,000	5,491
2020-2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
Total	\$ 1,945,000	289,490	1,480,000	263,222	318,000	58,778

Year Ending June 30,	Local Option Sales and Services Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2010	\$ 62,786	48,075	825,786	213,099
2011	64,600	44,887	634,100	175,913
2012	66,501	41,598	662,501	148,002
2013	73,493	38,206	565,993	118,204
2014	45,580	34,424	519,580	92,946
2015-2019	262,896	137,124	1,110,896	207,640
2020-2024	332,346	67,674	332,346	67,674
2025	76,338	3,664	76,338	3,664
Total	\$ 984,540	415,652	4,727,540	1,027,142

On January 15, 2009, the City issued \$395,000 of general obligation fire equipment bonds for the purchase of a pumper fire truck. The bonds bear interest at 4.30% to 4.55% per annum and mature June 1, 2018.

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

Local Option Sales and Services Tax Revenue Bonds – The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$300,000 and \$1,000,000 of local option sales and services tax revenue bonds, issued in September 1997 and March 2004, respectively. Proceeds from the bonds provided financing for the cost of street improvements and the recreation and wellness center. The bonds are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2013 and 2025, respectively. Annual principal and interest payments on the bonds are generally expected to require approximately 14% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$1,400,192. For the current year, principal and interest paid and total collections were \$112,224 and \$774,698, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

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

General Obligation Police and Parks Equipment Note – The City entered into general obligation equipment note agreement with Atlantic Municipal Utilities in March 2008. The City received and repaid \$46,000 during the year.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$121,485, \$119,066 and \$113,459, 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 118,000
Compensatory time	48,000
Total	<u>\$ 166,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 30,000
	Emergency	46,965
	Enterprise:	
	Storm Water	30,000
	Sewer	30,000
		<u>136,965</u>
Special Revenue: Employee Benefits	Special Revenue: Cafeteria Plan	<u>4,570</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	12,943
	Enterprise:	
	Storm Water	26,209
	Sewer	64,827
		<u>103,979</u>
Capital Projects	General	96,129
	Special Revenue:	
	Local Option Sales Tax	50,000
	Enterprise:	
Storm Water	62,033	
		<u>208,162</u>
Total		<u>\$ 453,676</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 577 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, 2009 were \$103,054.

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, 2009, 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) Deficit Balance

The Capital Projects Fund had a deficit balance of \$145,457 at June 30, 2009. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

(9) Employee Health Insurance Plan

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Marsh Advantage America. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$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, 2009 was \$450,783.

(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, 2008.

Condensed Statements of Net Assets		
	Electric Department	Water Department
Assets		
Current assets	\$ 6,789,231	283,645
Capital assets, net of accumulated depreciation	20,778,297	4,093,188
Other	4,604,736	937,775
Total assets	32,172,264	5,314,608
Liabilities		
Current liabilities	1,951,594	461,871
Other liabilities	7,800,000	1,134,295
Total liabilities	9,751,594	1,596,166
Net Assets		
Invested in capital assets, net of related debt	12,486,051	2,757,333
Restricted - expendable	1,915,086	753,717
Contributions in aid of construction	-	813,283
Unrestricted	8,019,533	(605,891)
Total net assets	\$ 22,420,670	3,718,442

Condensed Statements of Income		
	Electric Department	Water Department
Operating revenues:		
Electric sales	\$ 8,389,552	-
Water sales	-	1,006,594
Other	372,904	17,015
Total operating revenues	<u>8,762,456</u>	<u>1,023,609</u>
Operating expenses:		
Production - power/water costs	3,277,719	183,405
Transmission and distribution	1,224,224	216,765
General and administrative	2,277,965	533,400
Total operating expenses	<u>6,779,908</u>	<u>933,570</u>
Operating income	<u>1,982,548</u>	<u>90,039</u>
Non-operating revenues (expenses):		
Interest income	265,660	27,404
Interest expense	(176,073)	(49,307)
Other non-operating expenses	(16,916)	(3,324)
Total non-operating revenues (expenses)	<u>72,671</u>	<u>(25,227)</u>
Net income	<u>\$ 2,055,219</u>	<u>64,812</u>
Condensed Statements of Changes in Net Assets		
	Electric Department	Water Department
Net assets beginning of year	\$ 20,638,987	3,734,129
Net income	2,055,219	64,812
Contributions in aid of construction	-	965
Distribution to the City	(273,536)	(81,464)
Net assets end of year	<u>\$ 22,420,670</u>	<u>3,718,442</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 tax levied by the taxing jurisdictions and physical plant and equipment tax levied by school districts, in exchange for construction of infrastructure by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed the lesser of actual cost of the public improvements paid for by the developer or \$186,000, plus interest. During the year ended June 30, 2009, the City paid the developer \$17,344 of principal. The outstanding principal balance on the agreement at June 30, 2009 is \$150,254.

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. During the year ended June 30, 2009, the City paid the developer \$10,000 of principal. The outstanding principal balance on the agreement at June 30, 2009 is \$40,000.

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

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

(13) Special Investigation

The City has requested the Office of Auditor of State perform a special investigation of the Region IV Fusion Center as a result of concerns identified with federally reimbursed disbursements and a separately maintained bank account. A separate report will be issued upon completion of the special investigation.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,848,499	-	-
Tax increment financing	109,725	-	-
Other city tax	907,391	-	-
Licenses and permits	46,329	-	-
Use of money and property	115,318	22,196	6,307
Intergovernmental	1,625,672	5,489	-
Charges for service	39,586	3,228,413	2,318,388
Miscellaneous	738,535	23,527	10,148
Total receipts	6,431,055	3,279,625	2,334,843
Disbursements:			
Public safety	1,929,247	1,123,368	1,123,368
Public works	1,516,690	397,663	397,663
Health and social services	11,993	-	-
Culture and recreation	539,893	273,194	273,194
Community and economic development	210,406	-	-
General government	521,550	277,908	277,908
Debt service	1,094,777	-	-
Capital projects	1,389,972	-	-
Business type activities	-	649,250	207,392
Total disbursements	7,214,528	2,721,383	2,279,525
Excess (deficiency) of receipts over (under) disbursements	(783,473)	558,242	55,318
Other financing sources (uses), net	654,069	(213,069)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(129,404)	345,173	55,318
Balances beginning of year	2,488,306	884,718	325,230
Balances end of year	\$ 2,358,902	1,229,891	380,548

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to
	Original	Final	Net Variance
2,848,499	2,827,287	2,827,287	21,212
109,725	118,842	118,842	(9,117)
907,391	904,139	904,139	3,252
46,329	89,250	89,250	(42,921)
131,207	101,200	101,200	30,007
1,631,161	1,452,835	1,452,835	178,326
949,611	849,100	849,100	100,511
751,914	468,295	853,295	(101,381)
<u>7,375,837</u>	<u>6,810,948</u>	<u>7,195,948</u>	<u>179,889</u>
1,929,247	2,249,292	2,249,292	320,045
1,516,690	1,580,632	1,805,632	288,942
11,993	12,000	12,000	7
539,893	576,770	590,770	50,877
210,406	283,383	283,383	72,977
521,550	545,640	550,640	29,090
1,094,777	1,095,432	1,095,432	655
1,389,972	1,732,758	1,873,758	483,786
441,858	607,485	607,485	165,627
<u>7,656,386</u>	<u>8,683,392</u>	<u>9,068,392</u>	<u>1,412,006</u>
(280,549)	(1,872,444)	(1,872,444)	1,591,895
<u>441,000</u>	<u>837,500</u>	<u>837,500</u>	<u>(396,500)</u>
160,451	(1,034,944)	(1,034,944)	1,195,395
<u>3,047,794</u>	<u>2,849,069</u>	<u>2,849,069</u>	<u>198,725</u>
<u><u>3,208,245</u></u>	<u><u>1,814,125</u></u>	<u><u>1,814,125</u></u>	<u><u>1,394,120</u></u>

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$385,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Atlantic

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

As of and for the year ended June 30, 2009

	Cafeteria Plan	Police Pension	Fire Pension
Receipts:			
Property tax	\$ -	21,700	21,700
Tax increment financing	-	-	-
Other city tax	-	417	417
Use of money and property	-	-	5,919
Miscellaneous	8,070	-	-
Total receipts	8,070	22,117	28,036
Disbursements:			
Operating:			
Public safety	-	23,945	15,700
Community and economic development	-	-	-
General government	9,947	-	-
Debt service	-	-	-
Total disbursements	9,947	23,945	15,700
Excess (deficiency) of receipts over (under) disbursements	(1,877)	(1,828)	12,336
Other financing uses:			
Operating transfers out	(4,570)	-	-
Net change in cash balances	(6,447)	(1,828)	12,336
Cash balances beginning of year	2,445	4,156	139,200
Cash balances end of year	\$ (4,002)	2,328	151,536
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
Special revenue funds	(4,002)	2,328	151,536
Total	\$ (4,002)	2,328	151,536

See accompanying independent auditor's report.

Special Revenue					
Emergency	Tax Increment Financing	Economic Development Revolving Loan	Economic Development	Grant Matching	Total
46,220	-	-	-	-	89,620
-	109,725	-	-	-	109,725
833	-	-	-	-	1,667
285	662	824	-	570	8,260
-	-	-	-	-	8,070
47,338	110,387	824	-	570	217,342
-	-	-	-	-	39,645
-	30,537	-	-	-	30,537
-	-	-	-	-	9,947
-	121,747	-	-	-	121,747
-	152,284	-	-	-	201,876
47,338	(41,897)	824	-	570	15,466
(46,965)	(12,943)	-	-	-	(64,478)
373	(54,840)	824	-	570	(49,012)
98	114,063	122,999	-	45,046	428,007
471	59,223	123,823	-	45,616	378,995
-	16,000	-	-	-	16,000
471	43,223	123,823	-	45,616	362,995
471	59,223	123,823	-	45,616	378,995

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, 2009

	Payroll Revolving	Medical Benefit Self Insurance	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 1,867,605	450,783	2,318,388
Miscellaneous:			
Refunds	-	10,148	10,148
Total operating receipts	<u>1,867,605</u>	<u>460,931</u>	<u>2,328,536</u>
Operating disbursements:			
Governmental activities:			
Public safety	906,356	217,012	1,123,368
Public works	316,937	80,726	397,663
Culture and recreation	246,935	26,259	273,194
General government	227,057	50,851	277,908
Business type activities	170,320	37,072	207,392
Total operating disbursements	<u>1,867,605</u>	<u>411,920</u>	<u>2,279,525</u>
Excess of operating receipts over operating disbursements	-	49,011	49,011
Non-operating receipts:			
Interest on investments	-	6,307	6,307
Net change in cash balances	-	55,318	55,318
Cash balances beginning of year	-	325,230	325,230
Cash balances end of year	<u>\$ -</u>	<u>380,548</u>	<u>380,548</u>

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Economic development	Feb 1, 1994	4.75-7.00%	\$ 225,000
Airport improvement	Aug 1, 1999	4.40-5.20	150,000
Swimming pool improvement	Mar 1, 2001	4.40-5.40	700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Economic development	Sep 1, 2003	2.15-4.60	110,000
Street improvements	Jul 1, 2004	2.00-4.35	500,000
Corporate purpose	Feb 15, 2006	3.50-4.10	375,000
Corporate purpose	Aug 15, 2006	4.10-4.45	150,000
Total			
General obligation bonds:			
Corporate purpose	Nov 15, 2007	3.40-3.90%	\$ 1,560,000
Fire equipment	Jan 15, 2009	4.30-4.55	395,000
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1994	8.25-9.10%	\$ 145,000
Skyjack (TIF)	Dec 1, 1995	6.70-7.30	115,000
Skyjack (TIF)	Jun 1, 1997	7.65-8.15	90,000
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			
Atlantic Municipal Utilities note agreement:			
General obligation police and parks equipment	Mar 19, 2008	0.00%	\$ 46,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
40,000	-	20,000	20,000	2,790
35,000	-	15,000	20,000	1,805
500,000	-	50,000	450,000	25,868
820,000	-	180,000	640,000	39,350
160,000	-	30,000	130,000	5,417
70,000	-	10,000	60,000	2,943
320,000	-	50,000	270,000	12,752
270,000	-	35,000	235,000	10,430
135,000	-	15,000	120,000	5,812
\$ 2,350,000	-	405,000	1,945,000	107,167
1,330,000	-	215,000	1,115,000	48,293
-	395,000	30,000	365,000	6,645
\$ 1,330,000	395,000	245,000	1,480,000	54,938
30,000	-	15,000	15,000	2,730
35,000	-	10,000	25,000	2,190
20,000	-	10,000	10,000	1,630
20,000	-	20,000	-	1,030
95,000	-	20,000	75,000	4,805
215,000	-	22,000	193,000	12,363
\$ 415,000	-	97,000	318,000	24,748
130,000	-	25,000	105,000	7,220
915,595	-	36,055	879,540	43,949
\$ 1,045,595	-	61,055	984,540	51,169
-	46,000	46,000	-	-

City of Atlantic
Bond and Note Maturities
June 30, 2009

Year Ending June 30,	General Obligation									
	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		Interest		Interest		Interest		Interest	
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
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>\$ 20,000</u>		<u>\$ 20,000</u>		<u>\$ 450,000</u>		<u>\$ 640,000</u>		<u>\$ 130,000</u>

Year Ending June 30,	General Obligation Bonds						Tax Increment Financing (TIF)					
	Corporate Purpose		Corporate Purpose Fire Equipment		Total	Skyjack (TIF)		Skyjack (TIF)		Skyjack (TIF)		
	Issued Nov 15, 2007		Issued Jan. 15, 2009			Issued Dec 1, 1994		Issued Dec 1, 1995		Issued Jun 1, 1997		
	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	
Rates	Amount	Rates	Amounts		Rates	Amount	Rates	Amount	Rates	Amount		
2010	3.45%	\$ 225,000	4.55%	\$ 35,000	260,000	9.10%	\$ 15,000	7.30%	\$ 10,000	8.15%	\$10,000	
2011	3.50	115,000	4.55	35,000	150,000		-	7.30	15,000		-	
2012	3.60	120,000	4.55	40,000	160,000		-		-		-	
2013	3.65	125,000	4.30	40,000	165,000		-		-		-	
2014	3.70	130,000	4.30	40,000	170,000		-		-		-	
2015	3.80	135,000	4.30	40,000	175,000		-		-		-	
2016	3.85	140,000	4.50	45,000	185,000		-		-		-	
2017	3.90	125,000	4.50	45,000	170,000		-		-		-	
2018		-	4.50	45,000	45,000		-		-		-	
2019		-		-	-		-		-		-	
2020		-		-	-		-		-		-	
2021		-		-	-		-		-		-	
2022		-		-	-		-		-		-	
2023		-		-	-		-		-		-	
2024		-		-	-		-		-		-	
2025		-		-	-		-		-		-	
Total		<u>\$1,115,000</u>		<u>\$ 365,000</u>	<u>1,480,000</u>		<u>\$ 15,000</u>		<u>\$ 25,000</u>		<u>\$10,000</u>	

See accompanying independent auditor's report.

City of Atlantic

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

For the Last Nine Years

	2009	2008	2007	2006
Receipts:				
Property tax	\$ 2,848,499	2,728,825	2,563,716	2,439,308
Tax increment financing	109,725	247,992	238,660	158,355
Other city tax	907,391	804,559	842,804	695,683
Licenses and permits	46,329	28,908	26,704	29,882
Use of money and property	115,318	159,049	171,874	135,334
Intergovernmental	1,625,672	2,745,491	4,085,700	3,622,092
Charges for service	39,586	37,908	38,493	41,544
Special assessments	-	-	-	729
Miscellaneous	738,535	276,775	476,955	454,504
Total	\$ 6,431,055	7,029,507	8,444,906	7,577,431
Disbursements:				
Operating:				
Public safety	\$ 1,929,247	2,128,960	1,951,333	1,965,094
Public works	1,516,690	1,460,714	1,131,099	1,194,866
Health and social services	11,993	9,998	-	12,385
Culture and recreation	539,893	518,574	553,493	423,996
Community and economic development	210,406	382,197	256,151	494,547
General government	521,550	505,944	499,782	456,453
Debt service	1,094,777	1,974,011	1,100,134	1,079,642
Capital projects	1,389,972	2,033,635	3,475,138	3,213,291
Total	\$ 7,214,528	9,014,033	8,967,130	8,840,274

See accompanying independent auditor's report.

2005	2004	2003	2002	2001
2,377,815	2,330,119	2,342,037	2,018,353	1,933,724
212,041	177,535	178,049	132,195	163,000
653,490	737,569	660,723	587,392	526,872
26,464	27,075	19,802	18,572	19,343
74,608	61,512	80,735	116,095	172,681
2,603,514	1,670,043	2,119,797	899,730	1,084,953
33,986	52,715	45,899	44,919	48,656
7,624	10,858	12,909	12,260	15,425
497,487	1,305,812	2,135,906	462,629	412,381
6,487,029	6,373,238	7,595,857	4,292,145	4,377,035
1,468,009	1,199,522	1,199,427	1,228,883	1,126,155
977,604	1,120,237	937,371	737,446	777,057
21,873	2,980	-	2,411	3,374
405,853	421,150	430,953	360,410	366,234
121,653	103,790	100,569	229,574	290,920
429,838	429,845	438,215	391,533	365,498
1,239,380	2,042,651	1,118,732	883,710	786,226
2,885,382	3,574,090	4,297,777	2,809,890	1,075,539
7,549,592	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, 2009

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0005-07-2007	\$ 39,520
Airport Improvement Program	20.106	3-19-0005-08-2009	<u>146,926</u>
			186,446
U.S. Department of Justice:			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607		<u>1,057</u>
Total direct			<u>187,503</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	<u>73,016</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-0285(610)--8V-15	<u>42,239</u>
Iowa Department of Public Safety - Governor's			
Traffic Safety Bureau:			
Safety Belt Performance Grants	20.609	08-157, Task 10	<u>2,000</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.067	FY2007-LETPP-LEIN4-04	214,441
Homeland Security Grant Program	97.067	FY2008-GE-T8-2008-014	<u>96,301</u>
			<u>310,742</u>
Total indirect			<u>427,997</u>
Total			<u>\$ 615,500</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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 25, 2010. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Atlantic Municipal Utilities, a discretely presented component unit, as described in our report on the City of Atlantic's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a material weakness.

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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies 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, of the significant deficiencies described above, we believe item II-A-09 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, 2009 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

February 25, 2010

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

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Atlantic, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The City of Atlantic's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Atlantic's management. Our responsibility is to express an opinion on the City of Atlantic's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Atlantic's compliance with those requirements.

In our opinion, the City of Atlantic complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described as items III-A-09 and III-B-09 in the accompanying Schedule of Findings and Questioned Costs.

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.

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 the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs, we consider item III-A-09 to be a material weakness.

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'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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 25, 2010

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA Number 97.067 – Homeland Security Grant 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, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties – One important aspect of internal control is segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The custodian of the investments also performs the bookkeeping for investments and the monthly Treasurer’s and Clerk’s reports are completed by the same employee without an independent reconciliation between the reports.

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

Response – The Deputy Clerk will review and sign off on the Treasurer’s report each month for accuracy and reconcile the report to the Clerk’s monthly report. The Deputy Clerk will also review and sign off on the investment report each month to compare the report with investments on hand.

Conclusion – Response accepted.

II-B-09 Separately Maintained Records – The Region IV Fusion Center maintains separate accounting records pertaining to its forfeiture account. 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 – The City was unaware the forfeiture account existed. The City has always maintained a detailed statement for all forfeiture accounts the City knew existed. The City will include all separately maintained account information on the Clerk and Treasurer’s reports.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE AND SIGNIFICANT DEFICIENCIES:

**CFDA Number 97.067: Homeland Security Grant Program
Federal Award Year: 2007, 2008
U.S. Department of Homeland Security
Passed through the Iowa Department of Public Defense - Homeland Security and
Emergency Management Division**

III-A-09 Undocumented Costs – Supporting documentation was not available to substantiate \$4,611 of operating costs.

Recommendation – The City should implement procedures to ensure supporting documentation is retained.

Response and Corrective Action Planned – Supporting documentation was requested by the City and was received early on. However, later on when supporting documentation was not received and when the City requested it, the City was told by officials of the Region IV Fusion Center the State was no longer requiring such documentation. For example, requests were made for itemized receipts of disbursements by the employees, however, the City was told by officials of the Region IV Fusion Center the State told them a credit card statement was satisfactory with no need for accompanying itemized receipts. In the future, the City will require and maintain sufficient documentation to support grant disbursements.

Conclusion – Response accepted.

III-B-09 Equipment Listing – Equipment purchased during the fiscal year was not properly included on the equipment listing as required by the grant agreement.

Recommendation – The City should implement procedures to ensure a complete equipment listing is maintained.

Response and Corrective Action Planned – The City keeps a record of all equipment purchased by the City, however, because the City was a pass through for the Homeland Security Grant and was told by officials of the Region IV Fusion Center they would keep a record of equipment, the City did not do so except for vehicles. In the future, the City will maintain a listing of all equipment purchased with grant monies.

Conclusion – Response accepted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

IV-B-09 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-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Asphalt work, per bid	\$ 366,699

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

IV-E-09 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-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-09 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-09 Revenue Bonds – No instances of non-compliance with provisions of the revenue bond resolutions were noted.

IV-I-09 Financial Condition – The Capital Projects Fund had a deficit balance at June 30, 2009 of \$145,457.

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

Response – There were several Airport Projects with deficit balances being funded by the Federal Government with the former City Administrator applying for the reimbursements. Those reimbursements were not applied for by the end of the fiscal year. There were two projects for Wastewater Treatment Plant

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Improvements with deficit balances, which were being funded by the State Revolving Fund. The Loan Fund was not set up with the State until November, 2009, thus the reimbursements could not be applied for until then. The remaining fund, the Olive Street Overlay Project, had a deficit balance due to overruns. The project was being paid for in part from local option sales tax funds. The City has eliminated the deficit balance with the receipt of grant reimbursements, State Revolving Fund loans and the receipt of local option sales tax.

Conclusion – Response accepted.

City of Atlantic

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Donald J. Lewis, CPA, Senior Auditor
Jeana R. Muhlbauer, Assistant Auditor
Ashley J. Mollicone, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State