



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 12, 2008

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$9,596,496 for the year ended June 30, 2007, a 4 percent decrease from 2006. The receipts included \$2,613,872 in property tax, \$238,660 from tax increment financing, \$988,400 from charges for service, \$1,843,870 from operating grants, contributions and restricted interest, \$2,773,701 from capital grants, contributions and restricted interest, \$726,447 from local option sales tax, \$71,795 from unrestricted interest on investments, \$168,625 from note proceeds and \$171,126 from other general receipts.

Disbursements for the year totaled \$9,523,738, an 8 percent decrease from the prior year, and included \$3,475,138 for capital projects, \$1,892,767 for public safety and \$1,105,349 for public works. Also, disbursements for business type activities totaled \$665,505.

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

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

#

CITY OF ATLANTIC

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

JUNE 30, 2007

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	19
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	21
Notes to Financial Statements		22-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		34-35
Notes to Required Supplementary Information – Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	38-39
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Internal Service Funds	2	40
Schedule of Indebtedness	3	42-43
Bond and Note Maturities	4	44-46
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	48-49
Schedule of Expenditures of Federal Awards	6	50
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		53-54
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		57-58
Schedule of Findings and Questioned Costs		59-63
Staff		64

City of Atlantic

Officials

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

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2007, 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 12 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 12, 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, 2006 have been audited by another auditor and are available from the component unit. The report of the other auditor, dated February 26, 2007, expressed an unqualified opinion on the financial statements.

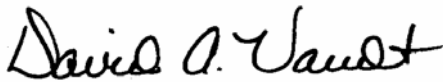
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2007, 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 12, 2008 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of

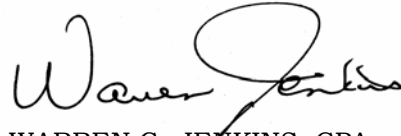
our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Atlantic. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (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 12, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities decreased 5%, or approximately \$493,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$126,000, operating and capital grants and contributions increased approximately \$529,000 and bond, note and loan proceeds decreased approximately \$1,277,000.
- Disbursements of the City's governmental activities decreased 9.4%, or approximately \$921,000, in fiscal 2007 from fiscal 2006. Public safety, community and economic development, capital projects and payments to refunding bond/note agent disbursements increased (decreased) approximately \$(147,000), \$(238,000), \$262,000 and \$(800,000), respectively.
- The City's total cash basis net assets increased 2%, or approximately \$73,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$89,000 and the assets of the business type activities decreased approximately \$16,000.

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

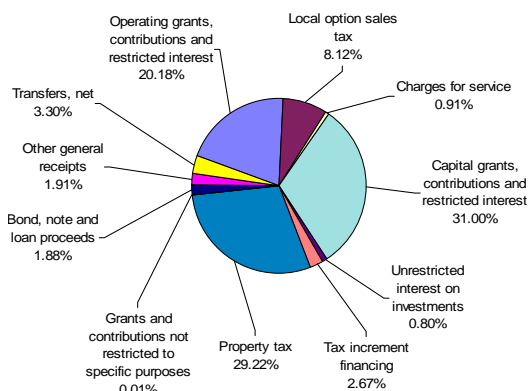
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

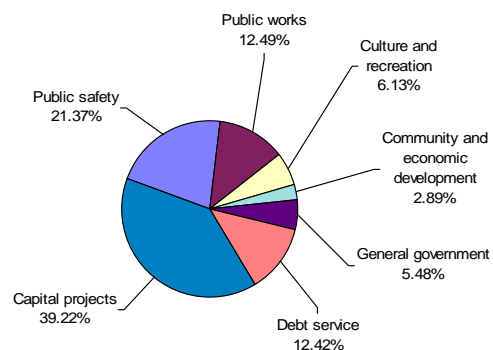
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2.65 million to \$2.74 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 81	84
Operating grants, contributions and restricted interest	1,805	1,781
Capital grants, contributions and restricted interest	2,774	2,269
General receipts:		
Property tax	2,614	2,488
Tax increment financing	239	158
Local option sales tax	726	583
Grants and contributions not restricted to specific purposes	1	2
Unrestricted interest on investments	72	68
Bond, note and loan proceeds	168	1,445
Other general receipts	171	233
Transfers, net	295	328
Total receipts and transfers	8,946	9,439
Disbursements:		
Public safety	1,893	2,040
Public works	1,106	1,229
Health and social services	-	12
Culture and recreation	543	437
Community and economic development	256	494
General government	485	474
Debt service	1,100	1,080
Capital projects	3,475	3,213
Payments to refunding bond/note agent	-	800
Total disbursements	8,858	9,779
Change in cash basis net assets	88	(340)
Cash basis net assets beginning of year	2,650	2,990
Cash basis net assets end of year	\$ 2,738	2,650

Receipts by Source



Disbursements by Function



The City's total receipts and transfers for governmental activities decreased 5%, or approximately \$493,000. The total cost of all programs and services decreased approximately \$921,000, or 9.4%, with no new programs added this year. The significant decrease in receipts was primarily the result of bond, note and loan proceeds received in the prior year.

The City decreased property tax rates for 2007 by an average of 5.8%. This decrease, in conjunction with an increase in taxable valuation, raised the City's property tax receipts approximately \$126,000 in 2007. Based on increases in the total taxable valuation for 2008, property tax receipts are budgeted to increase an additional \$185,000 next year.

The cost of all governmental activities this year was \$8.9 million compared to \$9.8 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$4.2 million because some of the cost was paid by those directly benefited from the programs (\$81,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$4,579,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,286,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 183	189
Sewer	724	687
Operating grants, contributions and restricted interest	38	31
Total receipts	<u>945</u>	<u>907</u>
Disbursements and transfers:		
Storm water	21	22
Sewer	645	563
Transfers	295	328
Total disbursements and transfers	<u>961</u>	<u>913</u>
Change in cash basis net assets	(16)	(6)
Cash basis net assets beginning of year	640	646
Cash basis net assets end of year	<u>\$ 624</u>	<u>640</u>

Total business type activities receipts for the fiscal year were \$945,000 compared to \$907,000 last year. This significant increase was due primarily to the sewer rental rate increase in 2005. The cash balance decreased approximately \$16,000 from the prior year because sewer disbursements for equipment and a sewer study increased in the current fiscal year. Total disbursements and transfers for the fiscal year increased 5.25% to a total of \$961,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$2,561,591, a decrease of approximately \$58,000 below last year's total of \$2,619,466. 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 \$23,297 over the prior year to \$1,231,341. Total receipts increased 5.4% and total disbursements increased 4.3%. Other factors include a decrease in federal grants for the Fusion Center of \$202,000 and donations to the Fire Department increased \$115,000 due to the State Convention receipts. Disbursements decreased for the Fusion Center by \$130,000 and increased for library equipment purchases of \$66,000.
- The Special Revenue, Road Use Tax Fund cash balance increased \$85,642 to \$507,900 during the fiscal year. This increase was attributable to a decrease in disbursements, primarily due to major improvements to the street maintenance building totaling \$55,768 and the purchase of a boom truck for \$36,000 in the prior year. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales taxes collected. At the end of the fiscal year, the cash balance was \$197,651, a decrease of \$44,529 from the previous year. An increase in disbursements was due primarily to demolition of buildings in the current year. Local option sales tax collections increased \$76,823 during the year.
- The Debt Service Fund cash balance decreased \$45,532 to \$88,435 during the fiscal year. This decrease was due to a decrease in property tax collections of \$119,372 and a reimbursement in the prior year of \$22,000 received from the County for radios and pagers.
- The Capital Projects Fund cash balance decreased \$90,781 to \$153,714 during the fiscal year. The decrease was due to disbursements for the airport improvement projects and bridge and street projects in the current year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. At the end of the fiscal year, the cash balance increased \$60,816 to \$301,944. Transfers to other funds decreased \$128,147 because the funding of various storm water projects decreased from the prior year.
- The Sewer Fund cash balance decreased \$91,467 to \$305,506. Sewer rental collections increased \$37,056 and disbursements increased \$109,032, primarily due to disbursements for a sewer treatment facility study and the purchase of equipment.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 16, 2007 and resulted in an increase of \$737,000 in operating disbursements related to the purchase of additional equipment, an increase in worker's compensation and health insurance premiums. The City received federal grants, sold notes and had sufficient cash balances to absorb these additional costs.

The City's receipts were \$2,917,182 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than anticipated due to the Fusion Center and airport grants, even after the amendment.

With the amendment, total disbursements were \$2,987,290 less than the amended budget. The actual disbursements for the public safety, public works and capital projects functions were \$141,758, \$94,483 and \$2,541,170 less than the amended budget. This is primarily due to slower progress on the Fusion Center and airport projects than planned.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$5,420,000 in bonds, notes and other long-term debt outstanding, compared to \$6,310,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation notes	\$ 2,775,000	3,315,000
Tax increment financing (TIF) revenue bonds	530,000	620,000
Local option sales and services tax revenue bonds	1,100,000	1,150,000
Sewer revenue notes	215,000	425,000
General obligation project anticipation notes	800,000	800,000
Total	\$ 5,420,000	6,310,000

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation, TIF, LOST revenue and general obligation project anticipation debt of \$5,205,000 is significantly below its constitutional debt limit of \$13,566,000.

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 2008 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$2.79 million, an increase of 5% over the final 2007 budget. Property tax (benefiting from the increase in taxable valuations) is expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease approximately \$4,407,000. The decrease is due to capital project payments. The City has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$484,000 by the close of 2008. The City will be using accumulated cash for projects rather than issuing additional debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,892,767	17,447	687,255	4,648
Public works	1,105,349	-	1,032,953	-
Culture and recreation	543,362	35,266	55,909	-
Community and economic development	256,152	2,420	12,462	-
General government	485,331	26,446	-	-
Debt service	1,100,134	-	17,018	-
Capital projects	3,475,138	-	-	2,769,053
Total governmental activities	8,858,233	81,579	1,805,597	2,773,701
Business type activities:				
Storm water	20,611	182,652	14,866	-
Sewer	644,894	724,169	23,407	-
Total business type activities	665,505	906,821	38,273	-
Total	\$ 9,523,738	988,400	1,843,870	2,773,701

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments
 Note proceeds, net of \$2,625 discount
 Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets
 Local option sales tax
 Debt service
 Capital projects
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(1,183,417)	-	(1,183,417)
(72,396)	-	(72,396)
(452,187)	-	(452,187)
(241,270)	-	(241,270)
(458,885)	-	(458,885)
(1,083,116)	-	(1,083,116)
(706,085)	-	(706,085)
(4,197,356)	-	(4,197,356)
-	176,907	176,907
-	102,682	102,682
-	279,589	279,589
(4,197,356)	279,589	(3,917,767)
1,983,202	-	1,983,202
238,660	-	238,660
630,670	-	630,670
726,447	-	726,447
350	-	350
71,795	-	71,795
168,625	-	168,625
170,776	-	170,776
295,724	(295,724)	-
4,286,249	(295,724)	3,990,525
88,893	(16,135)	72,758
2,649,563	640,113	3,289,676
\$ 2,738,456	623,978	3,362,434

\$ 507,900	-	507,900
133,246	-	133,246
168,840	92,590	261,430
153,714	-	153,714
366,550	-	366,550
1,408,206	531,388	1,939,594
\$ 2,738,456	623,978	3,362,434

City of Atlantic

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

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,293,215	-	-
Tax increment financing	-	-	-
Other city tax	270,580	-	264,824
Licenses and permits	26,404	-	300
Use of money and property	112,320	-	702
Intergovernmental	735,492	617,781	-
Charges for service	38,493	-	-
Miscellaneous	392,774	22,398	3,014
Total receipts	2,869,278	640,179	268,840
Disbursements:			
Operating:			
Public safety	1,559,704	-	-
Public works	410,951	524,537	26,057
Culture and recreation	474,981	-	4,025
Community and economic development	91,545	-	107,454
General government	378,530	-	21,554
Debt service	-	-	82,890
Capital projects	-	-	-
Total disbursements	2,915,711	524,537	241,980
Excess (deficiency) of receipts over (under) disbursements	(46,433)	115,642	26,860
Other financing sources (uses):			
Note proceeds, net of \$2,625 discount	21,250	-	-
Operating transfers in	135,444	-	-
Operating transfers out	(86,964)	(30,000)	(71,389)
Total other financing sources (uses)	69,730	(30,000)	(71,389)
Net change in cash balances	23,297	85,642	(44,529)
Cash balances beginning of year	1,208,044	422,258	242,180
Cash balances end of year	\$ 1,231,341	507,900	197,651
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	64,405
Unreserved:			
General fund	1,231,341	-	-
Special revenue funds	-	507,900	133,246
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 1,231,341	507,900	197,651

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
619,162	-	651,339	2,563,716
-	-	238,660	238,660
11,507	283,188	12,705	842,804
-	-	-	26,704
16,750	32,901	9,201	171,874
-	2,732,427	-	4,085,700
-	-	-	38,493
268	3,725	54,776	476,955
647,687	3,052,241	966,681	8,444,906
-	-	391,629	1,951,333
-	-	169,554	1,131,099
-	-	74,487	553,493
-	-	57,152	256,151
-	-	99,698	499,782
889,151	-	128,093	1,100,134
-	3,475,138	-	3,475,138
889,151	3,475,138	920,613	8,967,130
(241,464)	(422,897)	46,068	(522,224)
-	147,375	-	168,625
195,932	187,068	37,314	555,758
-	(2,327)	(69,354)	(260,034)
195,932	332,116	(32,040)	464,349
(45,532)	(90,781)	14,028	(57,875)
133,967	244,495	368,522	2,619,466
88,435	153,714	382,550	2,561,591
88,435	-	16,000	168,840
-	-	-	1,231,341
-	-	366,550	1,007,696
-	153,714	-	153,714
88,435	153,714	382,550	2,561,591

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, 2007

Total governmental funds cash balances (page 17) \$ 2,561,591

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 Net Assets.

176,865

Cash basis net assets of governmental activities (page 15)

\$ 2,738,456

Net change in cash balances (page 17)

\$ (57,875)

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.

146,768

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

\$ 88,893

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, 2007

	Enterprise			Internal Service
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 182,651	724,169	906,820	2,234,480
Miscellaneous	-	12,055	12,055	32,602
Total operating receipts	182,651	736,224	918,875	2,267,082
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,029,576
Public works	-	-	-	335,541
Culture and recreation	-	-	-	265,560
General government	-	-	-	291,229
Business type activities	20,611	429,426	450,037	190,121
Total operating disbursements	20,611	429,426	450,037	2,112,027
Excess of operating receipts over operating disbursements	162,040	306,798	468,838	155,055
Non-operating receipts (disbursements):				
Interest on investments	14,866	10,389	25,255	6,229
Debt service	-	(229,020)	(229,020)	-
Total non-operating receipts (disbursements)	14,866	(218,631)	(203,765)	6,229
Excess of receipts over disbursements	176,906	88,167	265,073	161,284
Operating transfers out	(116,090)	(179,634)	(295,724)	-
Net change in cash balances	60,816	(91,467)	(30,651)	161,284
Cash balances beginning of year	241,128	396,973	638,101	32,109
Cash balances end of year	\$ 301,944	305,506	607,450	193,393
Cash Basis Fund Balances				
Reserved for debt service	\$ -	92,590	92,590	-
Unreserved	301,944	212,916	514,860	193,393
Total cash basis fund balances	\$ 301,944	305,506	607,450	193,393

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, 2007

Total enterprise funds cash balances (page 20) \$ 607,450

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 Net Assets.

16,528

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

\$ 623,978

Net change in cash balances (page 20)

\$ (30,651)

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.

14,516

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

\$ (16,135)

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2007

(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 Board, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 12 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2006 can be obtained from the Municipal Utilities administrative office, P.O. Box 517, 15 West Third Street, Atlantic, Iowa 50022.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City reports the following additional proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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.

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 use of the City.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Tax Increment Financing (TIF) Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 410,000	125,359	95,500	30,799	54,404	53,900
2009	405,000	107,168	97,000	24,748	61,056	51,169
2010	420,000	89,347	83,000	18,562	62,786	48,075
2011	355,000	70,368	64,500	12,897	64,600	44,887
2012	385,000	54,595	51,000	9,666	66,501	41,598
2013-2017	785,000	75,180	119,500	17,653	269,366	162,349
2018-2022	-	-	-	-	302,599	97,421
2023-2025	-	-	-	-	218,688	21,322
Total	\$ 2,760,000	522,017	510,500	114,325	1,100,000	520,721

Year Ending June 30,	Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest
2008	\$ 215,000	9,675	774,904	219,733
2009	-	-	563,056	183,085
2010	-	-	565,786	155,984
2011	-	-	484,100	128,152
2012	-	-	502,501	105,859
2013-2017	-	-	1,173,866	255,182
2018-2022	-	-	302,599	97,421
2023-2025	-	-	218,688	21,322
Total	\$ 215,000	9,675	4,585,500	1,166,738

In addition to the above maturities, the City has not yet paid \$15,000 on a general obligation note and \$19,500 on a tax increment financing (TIF) revenue bond due during the year ended June 30, 2007.

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

Local Option Sales and Services Tax Revenue Bonds – These were issued for the purpose of defraying a portion of the cost of constructing street improvements and repaying the local

option sales and services tax bond anticipation notes used for the recreation and wellness center. The bonds are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

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

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

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

General Obligation Police Equipment Note – The City entered into a general obligation equipment note agreement with Atlantic Municipal Utilities in June 2007. The City received and repaid \$21,250 during the year.

(4) Anticipation Notes

On March 1, 2005, the City issued an \$800,000 general obligation airport improvement project anticipation note to pay the costs of an airport runway expansion project. The note bore interest at 2.50% per annum and matured on March 1, 2006. The note was refunded by issuance of a note dated February 28, 2006 which bears interest at 3.50% per annum and matures on September 1, 2007. The due date of the note was extended until November 2007 when it was repaid through issuance of long term general obligation debt. Interest of \$28,088 was paid during the year ended June 30, 2007.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$113,459, \$113,231 and \$103,404, respectively, equal to the required contributions for each year.

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

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

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 111,000
Compensatory time	50,000
Total	<u>\$ 161,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 30,000
	Emergency	45,444
	Enterprise:	
	Storm Water	30,000
	Sewer	30,000
		<u>135,444</u>
Special Revenue:	Special Revenue:	
Police Pension	Fire Pension	7,314
Economic Development	Local Option Sales Tax	15,000
Grant Matching	Local Option Sales Tax	15,000
		<u>37,314</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	16,596
	Capital Projects	2,327
	Enterprise:	
	Storm Water	27,375
	Sewer	149,634
		<u>195,932</u>
Capital Projects	General	86,964
	Special Revenue:	
	Local Option Sales Tax	41,389
	Enterprise:	
	Storm Water	58,715
		<u>187,068</u>
Total		<u>\$ 555,758</u>

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

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$102,850.

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 \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(9) Employee Health Insurance Plan

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Marsh Advantage America. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$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, 2007 was \$506,004.

(10) Commitments

The City has entered into various construction contracts for street, airport improvements and hotel demolition totaling \$6,867,400. At June 30, 2007, \$1,575,658 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

(11) Deficit Balance

The Special Revenue, Employees' Benefits Fund had a deficit balance of \$48,561 at June 30, 2007. The deficit balance was a result of an increase in health insurance costs.

(12) 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, 2006.

Condensed Statements of Net Assets		
	Electric Department	Water Department
Assets		
Current assets	\$ 2,828,297	375,160
Capital assets, net of accumulated depreciation	15,300,753	4,343,717
Other	3,982,158	965,817
Total assets	22,111,208	5,684,694
Liabilities		
Current liabilities	1,251,293	431,594
Other liabilities	1,295,000	1,516,983
Total liabilities	2,546,293	1,948,577
Net Assets		
Invested in capital assets, net of related debt	13,400,753	2,653,230
Restricted - expendable	1,266,138	753,664
Contributions in aid of construction	-	840,191
Unrestricted	4,898,024	(510,968)
Total net assets	\$ 19,564,915	3,736,117

Condensed Statements of Income		
	Electric	Water
	Department	Department
Operating revenues:		
Electric sales	\$ 6,728,404	-
Water sales	-	972,150
Other	78,210	11,710
Total operating revenues	<u>6,806,614</u>	<u>983,860</u>
Operating expenses:		
Production - power/water costs	3,037,370	186,079
Transmission and distribution	914,601	193,216
General and administrative	2,103,854	531,927
Total operating expenses	<u>6,055,825</u>	<u>911,222</u>
Operating income	<u>750,789</u>	<u>72,638</u>
Non-operating revenues (expenses):		
Interest income	240,614	35,424
Interest expense	(82,625)	(65,428)
Other non-operating expenses	(12,176)	(6,808)
Total non-operating revenues (expenses)	<u>145,813</u>	<u>(36,812)</u>
Net income	<u>\$ 896,602</u>	<u>35,826</u>

Condensed Statements of Changes in Net Assets		
	Electric	Water
	Department	Department
Net assets beginning of year	\$ 18,942,877	3,579,480
Net income	896,602	35,826
Contributions in aid of construction	-	193,248
Distribution to the City	<u>(274,564)</u>	<u>(72,437)</u>
Net assets end of year	<u>\$ 19,564,915</u>	<u>3,736,117</u>

(13) Development Agreements

The City entered into two development agreements to assist in urban renewal projects. The City agreed to rebate 100% of the incremental tax paid by the developer, minus the amount of debt service taxes levied by the taxing jurisdictions and physical plant and equipment taxes levied by school districts, in exchange for construction of infrastructure by the developer. The incremental tax to be received by the City under Chapter 403.10 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, 2007, the City paid the developer \$701 of principal.

The City agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of a furniture store. The incremental tax to be received by the City under Chapter 403.10 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.

(14) Subsequent Events

In November 2007, the City issued \$1,560,000 of general obligation corporate purpose bonds for airport and street improvements. The City also entered into construction contracts for \$129,692 for trail improvements and \$404,300 for waste water treatment plant improvements. The City also approved the purchase of a new street sweeper for \$129,982.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,563,716	-	-
Tax increment financing	238,660	-	-
Other city tax	842,804	-	-
Licenses and permits	26,704	-	-
Use of money and property	171,874	31,484	6,229
Intergovernmental	4,085,700	-	-
Charges for service	38,493	3,141,300	2,234,480
Miscellaneous	476,955	44,657	32,602
Total receipts	8,444,906	3,217,441	2,273,311
Disbursements:			
Public safety	1,951,333	1,029,576	1,029,576
Public works	1,131,099	335,541	335,541
Health and social services	-	-	-
Culture and recreation	553,493	265,560	265,560
Community and economic development	256,151	-	-
General government	499,782	291,229	291,229
Debt service	1,100,134	-	-
Capital projects	3,475,138	-	-
Business type activities	-	869,178	190,121
Total disbursements	8,967,130	2,791,084	2,112,027
Excess (deficiency) of receipts over (under) disbursements	(522,224)	426,357	161,284
Other financing sources (uses), net	464,349	(295,724)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(57,875)	130,633	161,284
Balances beginning of year	2,619,466	670,210	32,109
Balances end of year	\$ 2,561,591	800,843	193,393

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,563,716	2,552,170	2,552,170	11,546
238,660	218,486	218,486	20,174
842,804	741,862	741,862	100,942
26,704	22,950	22,950	3,754
197,129	81,050	172,050	25,079
4,085,700	6,998,378	7,303,378	(3,217,678)
945,313	843,300	843,300	102,013
489,010	234,522	452,022	36,988
9,389,036	11,692,718	12,306,218	(2,917,182)
1,951,333	1,690,091	2,093,091	141,758
1,131,099	1,136,582	1,225,582	94,483
-	12,000	12,000	12,000
553,493	522,663	578,663	25,170
256,151	296,897	335,897	79,746
499,782	467,620	505,620	5,838
1,100,134	1,128,579	1,136,579	36,445
3,475,138	6,016,308	6,016,308	2,541,170
679,057	625,737	729,737	50,680
9,646,187	11,896,477	12,633,477	2,987,290
(257,151)	(203,759)	(327,259)	70,108
168,625	-	-	168,625
(88,526)	(203,759)	(327,259)	238,733
3,257,567	1,870,350	1,870,350	1,387,217
3,169,041	1,666,591	1,543,091	1,625,950

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$737,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, 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, 2007

	Special		
	Employees' Benefits	Cafeteria Plan	Police Pension
Receipts:			
Property tax	\$ 568,464	-	20,669
Tax increment financing	-	-	-
Other city tax	11,116	-	390
Use of money and property	-	-	-
Miscellaneous	48,268	6,508	-
Total receipts	627,848	6,508	21,059
Disbursements:			
Operating:			
Public safety	350,336	-	25,866
Public works	169,554	-	-
Culture and recreation	74,487	-	-
Community and economic development	-	-	-
General government	91,357	8,341	-
Debt service	-	-	-
Total disbursements	685,734	8,341	25,866
Excess (deficiency) of receipts over (under) disbursements	(57,886)	(1,833)	(4,807)
Other financing sources (uses):			
Operating transfers in	-	-	7,314
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	7,314
Net change in cash balances	(57,886)	(1,833)	2,507
Cash balances beginning of year	9,325	3,387	-
Cash balances end of year	\$ (48,561)	1,554	2,507
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
Special revenue funds	(48,561)	1,554	2,507
Total	\$ (48,561)	1,554	2,507

See accompanying independent auditor's report.

Revenue							
Fire Pension	Emergency	Tax Increment Financing	Economic Development Revolving Loan	Economic Development	Grant Matching	Total	
20,669	41,537	-	-	-	-	651,339	
-	-	238,660	-	-	-	238,660	
390	809	-	-	-	-	12,705	
4,995	-	-	4,206	-	-	9,201	
-	-	-	-	-	-	54,776	
<u>26,054</u>	<u>42,346</u>	<u>238,660</u>	<u>4,206</u>	-	-	<u>966,681</u>	
15,427	-	-	-	-	-	391,629	
-	-	-	-	-	-	169,554	
-	-	-	-	-	-	74,487	
-	-	10,652	46,500	-	-	57,152	
-	-	-	-	-	-	99,698	
-	-	128,093	-	-	-	128,093	
<u>15,427</u>	<u>-</u>	<u>138,745</u>	<u>46,500</u>	-	-	<u>920,613</u>	
10,627	42,346	99,915	(42,294)	-	-	46,068	
-	-	-	-	15,000	15,000	37,314	
(7,314)	(45,444)	(16,596)	-	-	-	(69,354)	
<u>(7,314)</u>	<u>(45,444)</u>	<u>(16,596)</u>	-	<u>15,000</u>	<u>15,000</u>	<u>(32,040)</u>	
3,313	(3,098)	83,319	(42,294)	15,000	15,000	14,028	
127,338	4,401	(9,773)	161,344	32,500	40,000	368,522	
<u>130,651</u>	<u>1,303</u>	<u>73,546</u>	<u>119,050</u>	<u>47,500</u>	<u>55,000</u>	<u>382,550</u>	
-	-	16,000	-	-	-	16,000	
130,651	1,303	57,546	119,050	47,500	55,000	366,550	
<u>130,651</u>	<u>1,303</u>	<u>73,546</u>	<u>119,050</u>	<u>47,500</u>	<u>55,000</u>	<u>382,550</u>	

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, 2007

	Payroll Revolving	Medical Benefit Self Insurance	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 1,728,476	506,004	2,234,480
Miscellaneous:			
Refunds	-	32,602	32,602
Total operating receipts	1,728,476	538,606	2,267,082
Operating disbursements:			
Governmental activities:			
Public safety	841,866	187,710	1,029,576
Public works	253,008	82,533	335,541
Culture and recreation	233,090	32,470	265,560
General government	244,911	46,318	291,229
Business type activities	155,601	34,520	190,121
Total operating disbursements	1,728,476	383,551	2,112,027
Excess of operating receipts over operating disbursements	-	155,055	155,055
Non-operating receipts:			
Interest on investments	-	6,229	6,229
Net change in cash balances	-	161,284	161,284
Balance beginning of year	-	32,109	32,109
Balance end of year	\$ -	193,393	193,393

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Economic development	Feb 1, 1994	4.75-7.00%	\$ 225,000
Economic development	Sep 1, 1997	6.75-7.35	200,000
Airport improvement	Aug 1, 1999	4.40-5.20	150,000
Swimming pool improvement	Mar 1, 2001	4.40-5.40	700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Economic development	Sep 1, 2003	2.15-4.60	110,000
Refunding	Apr 1, 2004	1.25-1.95	1,070,000
Street improvements	Jul 1, 2004	2.00-4.35	500,000
Corporate purpose	Feb 15, 2006	3.50-4.10	375,000
Corporate purpose	Aug 15, 2006	4.10-4.45	150,000
Police equipment	Jun 28, 2007	-	\$ 21,250
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1994	8.25-9.10%	\$ 145,000
Cargill (TIF)	Dec 1, 1994	8.25-9.05	100,000
Skyjack (TIF)	Dec 1, 1995	6.70-7.30	115,000
Skyjack (TIF)	Jun 1, 1997	7.65-8.15	90,000
Southeast urban renewal	Feb 1, 1998	4.40-5.15	175,000
Country Oaks Addition	Jul 1, 2001	4.30-5.20	200,000
North urban renewal business park	Mar 21, 2006	5.75	255,000
Total			
Revenue bonds:			
Local option sales and services tax	Sep 1, 1997	4.70-5.65%	\$ 300,000
Local option sales and services tax	Mar 1, 2004	4.80	1,000,000
Total			
Revenue notes:			
Sewer	Dec 1, 1998	4.10-4.50%	\$ 850,000
General obligation project anticipation notes:			
Airport improvement project	Feb 28, 2006	3.50%	\$ 800,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal Due and Unpaid
80,000	-	20,000	60,000	5,540	-
50,000	-	25,000	25,000	3,663	-
65,000	-	-	65,000	3,297	15,000
595,000	-	45,000	550,000	30,500	-
1,145,000	-	160,000	985,000	53,330	-
220,000	-	30,000	190,000	6,992	-
90,000	-	10,000	80,000	3,578	-
325,000	-	325,000	-	6,337	-
410,000	-	45,000	365,000	15,565	-
335,000	-	30,000	305,000	12,755	-
-	150,000	-	150,000	5,106	-
-	21,250	21,250	-	-	-
\$ 3,315,000	171,250	711,250	2,775,000	146,663	15,000
60,000	-	15,000	45,000	5,452	-
15,000	-	15,000	-	1,358	-
55,000	-	10,000	45,000	3,640	-
40,000	-	10,000	30,000	3,245	-
60,000	-	20,000	40,000	3,030	-
135,000	-	20,000	115,000	6,705	-
255,000	-	-	255,000	14,663	19,500
\$ 620,000	-	90,000	530,000	38,093	19,500
170,000	-	20,000	150,000	9,370	-
980,000	-	30,000	950,000	23,520	-
\$ 1,150,000	-	50,000	1,100,000	32,890	-
425,000	-	210,000	215,000	19,020	-
800,000	-	-	800,000	28,088	-

City of Atlantic
Bond and Note Maturities
June 30, 2007

General Obligation Notes										
Year Ending June 30,	Economic Development		Economic Development		Airport Improvement		Swimming Pool Improvement		Corporate Purpose	
	Issued Feb 1, 1994		Issued Sep 1, 1997		Issued Aug 1, 1999		Issued Mar 1, 2001		Issued Apr 1, 2002	
	Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2008	6.90%	\$ 20,000	7.35%	\$ 25,000	5.00%	\$ 15,000	4.90%	\$ 50,000	4.40%	\$ 165,000
2009	6.95	20,000	-	-	5.10	15,000	4.95	50,000	4.60	180,000
2010	7.00	20,000	-	-	5.20	20,000	5.00	55,000	4.70	180,000
2011	-	-	-	-	-	-	5.05	60,000	4.80	150,000
2012	-	-	-	-	-	-	5.10	60,000	4.90	165,000
2013	-	-	-	-	-	-	5.20	65,000	5.00	70,000
2014	-	-	-	-	-	-	5.25	65,000	5.10	75,000
2015	-	-	-	-	-	-	5.30	70,000	-	-
2016	-	-	-	-	-	-	5.40	75,000	-	-
2017	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 60,000</u>		<u>\$ 25,000</u>		<u>\$ 50,000</u>		<u>\$ 550,000</u>		<u>\$ 985,000</u>

Tax Increment Financing (TIF) Revenue Bonds							
Year Ending June 30,	Skyjack (TIF)		Skyjack (TIF)		Skyjack (TIF)		
	Issued Dec 1, 1994		Issued Dec 1, 1995		Issued Jun 1, 1997		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2008	9.10%	\$ 15,000	7.25%	\$ 10,000	8.10%	\$ 10,000	
2009	9.10	15,000	7.30	10,000	8.15	10,000	
2010	9.10	15,000	7.30	10,000	8.15	10,000	
2011	-	-	7.30	15,000	-	-	
2012	-	-	-	-	-	-	
2013	-	-	-	-	-	-	
2014	-	-	-	-	-	-	
2015	-	-	-	-	-	-	
2016	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2020	-	-	-	-	-	-	
2021	-	-	-	-	-	-	
2022	-	-	-	-	-	-	
2023	-	-	-	-	-	-	
2024	-	-	-	-	-	-	
2025	-	-	-	-	-	-	
Total		<u>\$ 45,000</u>		<u>\$ 45,000</u>		<u>\$ 30,000</u>	

Schedule 4

City of Atlantic
 Bond and Note Maturities
 June 30, 2007

Year Ending June 30,	Revenue Bonds					Revenue Notes	
	Local Option Sales and Services Tax		Local Option Sales and Services Tax		Total	Sewer	
	Issued Sep 1, 1997		Issued Mar 1, 2004			Issued Dec 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	5.40%	\$ 20,000	4.80%	\$ 34,404	54,404	4.50%	\$ 215,000
2009	5.45	25,000	4.80	36,056	61,056	-	-
2010	5.50	25,000	4.80	37,786	62,786	-	-
2011	5.55	25,000	4.80	39,600	64,600	-	-
2012	5.60	25,000	4.80	41,501	66,501	-	-
2013	5.65	30,000	4.80	43,493	73,493	-	-
2014	-	-	4.80	45,580	45,580	-	-
2015	-	-	4.80	47,768	47,768	-	-
2016	-	-	4.80	50,061	50,061	-	-
2017	-	-	4.80	52,464	52,464	-	-
2018	-	-	4.80	54,982	54,982	-	-
2019	-	-	4.80	57,621	57,621	-	-
2020	-	-	4.80	60,387	60,387	-	-
2021	-	-	4.80	63,286	63,286	-	-
2022	-	-	4.80	66,323	66,323	-	-
2023	-	-	4.80	69,507	69,507	-	-
2024	-	-	4.80	72,843	72,843	-	-
2025	-	-	4.80	76,338	76,338	-	-
Total		<u>\$ 150,000</u>		<u>\$ 950,000</u>	<u>1,100,000</u>		<u>\$ 215,000</u>

See accompanying independent auditor's report.

City of Atlantic

City of Atlantic

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

For the Last Seven Years

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 2,563,716	2,439,308	2,377,815	2,330,119
Tax increment financing	238,660	158,355	212,041	177,535
Other city tax	842,804	695,683	653,490	737,569
Licenses and permits	26,704	29,882	26,464	27,075
Use of money and property	171,874	135,334	74,608	61,512
Intergovernmental	4,085,700	3,622,092	2,603,514	1,670,043
Charges for service	38,493	41,544	33,986	52,715
Special assessments	-	729	7,624	10,858
Miscellaneous	476,955	454,504	497,487	1,305,812
Total	\$ 8,444,906	7,577,431	6,487,029	6,373,238
Disbursements:				
Operating:				
Public safety	\$ 1,951,333	1,965,094	1,468,009	1,199,522
Public works	1,131,099	1,194,866	977,604	1,120,237
Health and social services	-	12,385	21,873	2,980
Culture and recreation	553,493	423,996	405,853	421,150
Community and economic development	256,151	494,547	121,653	103,790
General government	499,782	456,453	429,838	429,845
Debt service	1,100,134	1,079,642	1,239,380	2,042,651
Capital projects	3,475,138	3,213,291	2,885,382	3,574,090
Total	\$ 8,967,130	8,840,274	7,549,592	8,894,265

See accompanying independent auditor's report.

2003	2002	2001
2,342,037	2,018,353	1,933,724
178,049	132,195	163,000
660,723	587,392	526,872
19,802	18,572	19,343
80,735	116,095	172,681
2,119,797	899,730	1,084,953
45,899	44,919	48,656
12,909	12,260	15,425
2,135,906	462,629	412,381
7,595,857	4,292,145	4,377,035
1,199,427	1,228,883	1,126,155
937,371	737,446	777,057
-	2,411	3,374
430,953	360,410	366,234
100,569	229,574	290,920
438,215	391,533	365,498
1,118,732	883,710	786,226
4,297,777	2,809,890	1,075,539
8,523,044	6,643,857	4,791,003

Schedule 6

City of Atlantic
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division:			
Airport Improvement Program	20.106	3-19-0005-05-2005	\$ 725,246
Airport Improvement Program	20.106	3-19-0005-06-2006	1,635,228
Total			<u>2,360,474</u>
U.S. Department of Homeland Security:			
Emergency Preparedness and Response Directorate (FEMA)			
Assistance to Firefighters Grant	97.044	EMW-2006-FG-09375	84,991
Total direct			<u>2,445,465</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	43,737
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	FY2005-LETTP-LEIN4-05	132,289
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	FY2006-LETTP-LEIN4-06	160,034
Total			<u>292,323</u>
Total indirect			<u>336,060</u>
Total			<u>\$ 2,781,525</u>

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

See accompanying independent auditor's report.

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

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

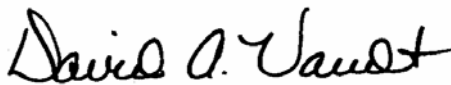
As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

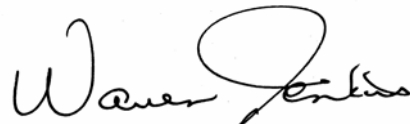
The City of Atlantic's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Atlantic's responses and, accordingly, we express no opinion 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 12, 2008

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

City of Atlantic



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Atlantic, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. 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, 2007.

Internal Control Over Compliance

The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Atlantic's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over compliance.

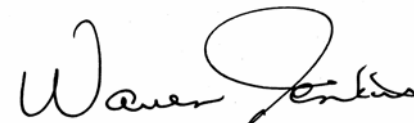
A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal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

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

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

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 12, 2008

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA Number 20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Atlantic did not qualify as a low-risk auditee.

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-07 Separately Maintained Records – The Atlantic Volunteer Fire Department maintains separate accounting records pertaining to its operation. The financial transactions and resulting balances are not included in the City’s accounting records.

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

Response – We will obtain the Atlantic Volunteer Fire Department financial records on a monthly basis and include the transactions and balances on the City’s accounting records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

IV-B-07 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Brink Flower Shop	Flowers and gifts	\$ 140

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We recently adopted a written policy that will address this recommendation.

Conclusion – Response accepted.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Asphalt patch material and street project, per bid	\$ 231,006
Gerald Brink, Community Promotion Board, Owner of Brink Flower Shop	Flowers and gifts	140

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with the Airport Commissioner does not represent a conflict of interest since it was competitively bid. The transaction with the Community Promotion Board member does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

- IV-E-07 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-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-07 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-07 Revenue Bonds and Notes – No instances of non-compliance with provisions of the revenue bond and note resolutions were noted.
- IV-I-07 Financial Condition – The Special Revenue, Employees’ Benefits Fund had a deficit balance at June 30, 2007 of \$48,561.

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

Response – Health insurance costs went up substantially last year. This will be eliminated in the upcoming year.

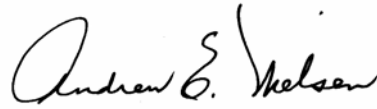
Conclusion – Response accepted.

City of Atlantic

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Brian P. Schenkelberg, CPA, Staff Auditor
Jennifer L. Wall, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State