



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

March 22, 2012

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 \$15,165,347 for the year ended June 30, 2011, a 94.5% increase over the prior year. The receipts included \$2,971,263 in property tax, \$123,056 from tax increment financing, \$1,624,729 from charges for service, \$1,699,087 from operating grants, contributions and restricted interest, \$2,194,504 from capital grants, contributions and restricted interest, \$724,158 from local option sales tax, \$8,124 from hotel/motel tax, \$9,439 from unrestricted interest on investments, \$5,519,437 from general obligation and sewer revenue bond proceeds and \$291,550 from other general receipts.

Disbursements for the year totaled \$11,090,429, a 40.1% increase over the prior year, and included \$2,734,582 for capital projects, \$2,336,719 for refunding debt, \$1,584,592 for public safety and \$1,278,081 for public works. Also, disbursements for business type activities totaled \$574,172.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0128-B00F.pdf>.

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**CITY OF ATLANTIC**

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

**JUNE 30, 2011**

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**City of Atlantic**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David R. Jones	Mayor	Jan 2014
Dana Halder	Council Member	Jan 2012
Linda Hartkopf	Council Member	Jan 2012
Kern Miller	Council Member	Jan 2012
Pat Simmons	Council Member	Jan 2012
Steve Livengood	Council Member	Jan 2014
Shawn Shouse	Council Member	Jan 2014
Kathy Somers	Council Member	Jan 2014
Doug Harris	Administrator	Indefinite
Deb Wheatley Field	Clerk/Treasurer	Jan 2012
David L. Wiederstein	Attorney	Jan 2012

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2011, 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 11 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 11, 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, 2010 have been audited by another auditor and are available from the component unit. The report of the other auditor, dated February 22, 2011, 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, 2011, 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.

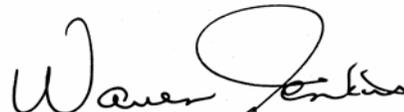
In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2012 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 36 through 38 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 nine years ended June 30, 2010 (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 5 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 24, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Atlantic provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 107.3%, or approximately \$7,055,000, in fiscal year 2011 over fiscal year 2010. Capital grants, contributions and restricted interest increased approximately \$1,720,000 and bond and note proceeds increased \$4,810,000.
- Disbursements of the City's governmental activities increased 39.8%, or approximately \$2,996,000, in fiscal year 2011 over fiscal year 2010. Capital projects, culture and recreation and community and economic development function disbursements increased approximately \$891,000, \$230,000 and \$89,000, respectively, while disbursements for the public safety and public works functions decreased approximately \$346,000 and \$171,000, respectively.
- The City's total cash basis net assets increased 117.4%, or approximately \$4,075,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$3,460,000 and the assets of the business type activities increased approximately \$615,000.

### 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 financial statement by providing information about the most significant funds.

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

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, the Internal Service Funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. 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.

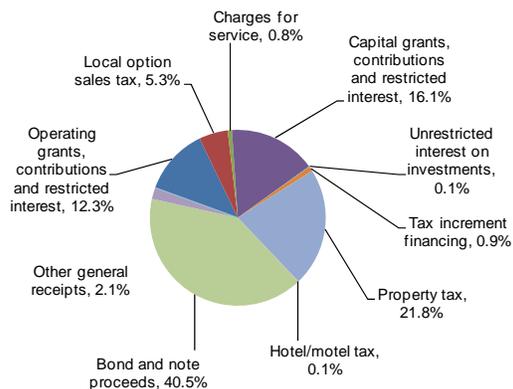
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

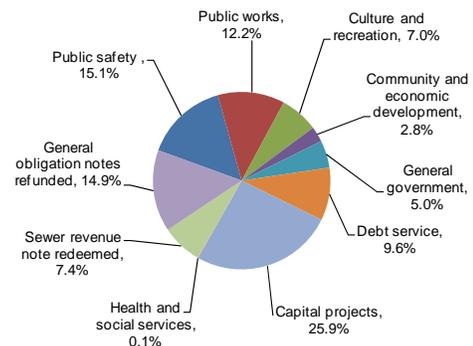
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$2.405 million to approximately \$5.865 million, due primarily to bond proceeds received but not disbursed as of year-end. 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,	
	2011	2010
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 112	109
Operating grants, contributions and restricted interest	1,679	1,498
Capital grants, contributions and restricted interest	2,195	475
General receipts:		
Property tax	2,971	2,741
Tax increment financing	123	124
Local option sales tax	724	740
Hotel/motel tax	8	-
Unrestricted interest on investments	9	14
Bond and note proceeds	5,519	709
Other general receipts	292	167
<b>Total receipts</b>	<b>13,632</b>	<b>6,577</b>
<b>Disbursements:</b>		
Public safety	1,584	1,930
Public works	1,278	1,449
Health and social services	10	9
Culture and recreation	737	507
Community and economic development	295	206
General government	527	517
Debt service	1,013	1,058
Capital projects	2,735	1,844
Sewer revenue note redeemed	773	-
General obligation notes refunded	1,564	-
<b>Total disbursements</b>	<b>10,516</b>	<b>7,520</b>
Change in cash basis net assets before transfers	3,116	(943)
Transfers	344	642
Change in cash basis net assets	3,460	(301)
Cash basis net assets beginning of year	2,405	2,706
Cash basis net assets end of year	\$ 5,865	2,405

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 107.2%, or approximately \$7,055,000. The total cost of all programs and services increased approximately \$2,996,000, or 39.8%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation corporate purpose bonds and refunding general obligation bonds.

The City increased property tax rates for fiscal year 2011 an average of 6.3%. This increase in the property tax rates increased the City's property tax receipts approximately \$230,000 in fiscal year 2011. Based on increases in the total assessed valuation and an increase in property tax rates, property tax receipts are budgeted to increase approximately \$274,000 next year.

The cost of all governmental activities this year was approximately \$10.52 million compared to approximately \$7.52 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 \$4.19 million because some of the cost was paid by those directly benefited from the programs (\$112,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$3,874,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$2,082,000 to approximately \$3,986,000, principally due to receiving grant proceeds to complete road projects and to start the wastewater treatment plant project.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 191	186
Sewer	1,322	1,001
Operating grants, contributions and restricted interest	20	32
Total receipts	<u>1,533</u>	<u>1,219</u>
Disbursements:		
Storm water	39	23
Sewer	535	372
Total disbursements	<u>574</u>	<u>395</u>
Changes in cash basis net assets before transfers	959	824
Transfers	<u>(344)</u>	<u>(642)</u>
Change in cash basis net assets	615	182
Cash basis net assets beginning of year	<u>1,065</u>	<u>883</u>
Cash basis net assets end of year	<u>\$ 1,680</u>	<u>1,065</u>

Total business type activities receipts for the fiscal year were approximately \$1,533,000 compared to approximately \$1,219,000 last year. This increase was due primarily to an increase in the sewer use fee rate. The cash balance increased approximately \$615,000 from the prior year due to the increase in sewer use fees and a decrease in operating transfers out. Total disbursements for the fiscal year increased 45.3% to a total of approximately \$574,000.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$5,560,026, an increase of approximately \$3,482,000 above last year's restated total of \$2,078,395. 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 \$179,519 from the prior year to \$1,390,015. Approximately \$97,000 of this increase was due to the increase in property tax collected.
- The Special Revenue, Road Use Tax Fund cash balance increased \$128,444 from the prior year to \$436,602. 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 accounts for revenue from the tax authorized by referendum and used for capital improvements, economic development and recreation. This cash balance decreased \$6,016 from the prior year to \$126,930.
- The Debt Service Fund cash balance increased \$13,382 over the prior year to \$68,477 at the end of the fiscal year.
- The Capital Projects Fund cash balance increased \$3,198,834 to \$3,215,228 at the end of the fiscal year. The increase was due primarily to the issuance of \$3.1 million of general obligation corporate purpose bonds. Bond proceeds will be used to pay the costs of improvements to streets and City parks, improvements and repairs to City Hall, street department garage and senior center and awarding a grant to Iowa Western Community College for building improvements.

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

- The Enterprise, Storm Water Fund was established to accumulate funds to be used for storm water management and flood protection capital projects. The cash balance increased \$40,931 over the prior year to \$443,523. The increase in the cash balance is due to receipts outpacing disbursements during the year as there were fewer projects funded with storm water utility fees.
- The Enterprise, Sewer Fund cash balance increased \$575,970 to \$1,207,213. Sewer rental collections increased \$321,530 and operating transfers out decreased \$342,268. Sewer rental collections increased due to the increase in sewer use rates while transfers out decreased primarily due to the wastewater treatment plant equalization and improvement project being funded primarily with state grant monies during fiscal year 2011.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on November 17, 2010 and resulted in an increase of \$1,610,000 in budgeted debt service disbursements related to the calling of bonds with higher interest rates and an increase in budgeted receipts due to issuing bonds with lower interest rates. The second amendment was approved on May 18, 2011 and resulted in an increase of \$510,500 in budgeted operating disbursements related to a loan agreement due for the development of Pine Ridge Subdivision, equipment purchases, crack sealing of various streets, a development agreement with Boulder's Inns & Suites for the construction of a hotel and wastewater treatment plant improvements. The increase in expenditures was offset by an increase in receipts from donations, Federal and State grants, miscellaneous reimbursements and local option sales tax.

The City's receipts were \$1,213,995 more than budgeted. This was primarily due to delays in the construction of the new wastewater treatment plant.

With the amendments, total disbursements were \$10,858,914 less than the amended budget. Actual disbursements for the capital projects, debt service and public works functions were \$8,477,452, \$1,570,659 and \$341,713, respectively, less than the amended budget. This is primarily due to slower progress of the wastewater treatment plant.

## DEBT ADMINISTRATION

At June 30, 2011, the City had \$7,257,824 in bonds, notes and other long-term debt outstanding, compared to \$4,594,516 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation notes/bonds	\$ 5,340,000	2,780,000
Tax increment financing (TIF) revenue bonds	170,500	235,000
Local option sales and services tax revenue bonds	857,154	921,754
Sewer revenue bond	890,170	657,762
Total	\$ 7,257,824	4,594,516

Debt increased as a result of issuing general obligation corporate purpose bonds 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 notes/bonds, TIF and local option sales and services tax (LOST) revenue debt of \$6,367,654 (including \$354,509 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$15,306,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$19.8 million, an increase of 1.5% from the final fiscal year 2011 budget. Budgeted disbursements are expected to decrease approximately \$260,000, or 1.3%. The City has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$3,147,000 by the close of fiscal year 2012. This is due, in part, to the City constructing a major portion of the new wastewater treatment plant during fiscal year 2012.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

## **Basic Financial Statements**

City of Atlantic

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,584,591	22,349	124,332	-
Public works	1,278,081	-	1,253,839	-
Health and social services	10,349	-	-	-
Culture and recreation	736,627	33,277	225,686	-
Community and economic development	294,740	1,420	15,084	-
General government	527,011	54,607	-	-
Debt service	1,013,557	-	60,105	-
Capital projects	2,734,582	-	-	2,194,504
Total governmental activities	8,179,538	111,653	1,679,046	2,194,504
Business type activities:				
Storm water	39,437	191,206	3,696	-
Sewer	534,735	1,321,870	16,345	-
Total business type activities	574,172	1,513,076	20,041	-
Total	\$ 8,753,710	1,624,729	1,699,087	2,194,504

Property and other city tax levied for:

  General purposes  
  Debt service  
Tax increment financing  
Local option sales tax  
Hotel/motel tax  
Unrestricted interest on investments  
Bond proceeds, net of \$61,500 discount and \$17,301 of issuance costs  
Sewer revenue bond proceeds, net of \$117,170 of initiation fees  
Payment to refunding bond escrow agent  
Sewer revenue note redeemed  
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

Restricted:

  Streets  
  Local option sales tax  
  Debt service  
  Capital projects  
  Tax increment financing  
  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
(1,437,910)	-	(1,437,910)
(24,242)	-	(24,242)
(10,349)	-	(10,349)
(477,664)	-	(477,664)
(278,236)	-	(278,236)
(472,404)	-	(472,404)
(953,452)	-	(953,452)
(540,078)	-	(540,078)
<u>(4,194,335)</u>	-	<u>(4,194,335)</u>
-	155,465	155,465
-	803,480	803,480
-	958,945	958,945
<u>(4,194,335)</u>	<u>958,945</u>	<u>(3,235,390)</u>
2,364,137	-	2,364,137
607,126	-	607,126
123,056	-	123,056
724,158	-	724,158
8,124	-	8,124
9,439	-	9,439
4,631,199	-	4,631,199
888,238	-	888,238
(1,563,719)	-	(1,563,719)
(773,000)	-	(773,000)
291,550	-	291,550
344,436	(344,436)	-
<u>7,654,744</u>	<u>(344,436)</u>	<u>7,310,308</u>
3,460,409	614,509	4,074,918
2,404,729	1,064,903	3,469,632
<u>\$ 5,865,138</u>	<u>1,679,412</u>	<u>7,544,550</u>
-	-	-
\$ 436,602	-	436,602
96,930	-	96,930
98,477	-	98,477
3,215,228	-	3,215,228
19,698	-	19,698
303,076	-	303,076
1,695,127	1,679,412	3,374,539
<u>\$ 5,865,138</u>	<u>1,679,412</u>	<u>7,544,550</u>

City of Atlantic

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,580,556	-	-
Tax increment financing	-	-	-
Local option sales tax	151,726	-	312,251
Other city tax	118,265	-	-
Licenses and permits	54,057	-	3,600
Use of money and property	51,075	-	339
Intergovernmental	454,200	746,817	-
Charges for service	51,088	-	-
Miscellaneous	548,702	37,996	4,484
Total receipts	<u>3,009,669</u>	<u>784,813</u>	<u>320,674</u>
Disbursements:			
Operating:			
Public safety	1,151,255	-	-
Public works	562,412	540,803	12,654
Health and social services	-	-	10,349
Culture and recreation	614,840	-	50,000
Community and economic development	184,781	-	72,268
General government	393,832	-	22,932
Debt service	-	-	111,034
Capital projects	-	-	-
Total disbursements	<u>2,907,120</u>	<u>540,803</u>	<u>279,237</u>
Excess (deficiency) of receipts over (under) disbursements	<u>102,549</u>	<u>244,010</u>	<u>41,437</u>
Other financing sources (uses):			
Bond proceeds, net of \$61,500 discount and \$17,301 of issuance costs	-	-	-
Sewer revenue bond proceeds, net of \$117,170 of initiation fees	-	-	-
Payment to refunding bond escrow agent	-	-	-
Sewer revenue note redeemed	-	-	-
Operating transfers in	127,690	-	-
Operating transfers out	(50,720)	(115,566)	(47,453)
Total other financing sources (uses)	<u>76,970</u>	<u>(115,566)</u>	<u>(47,453)</u>
Net change in cash balances	179,519	128,444	(6,016)
Cash balances beginning of year, as restated	1,210,496	308,158	132,946
Cash balances end of year	<u>\$ 1,390,015</u>	<u>436,602</u>	<u>126,930</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	436,602	-
Debt service	-	-	30,000
Capital projects	-	-	-
Tax increment financing	-	-	-
Other purposes	-	-	96,930
Assigned for fire station	113,239	-	-
Unassigned	1,276,776	-	-
Total cash basis fund balances	<u>\$ 1,390,015</u>	<u>436,602</u>	<u>126,930</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
598,028	-	663,122	2,841,706
-	-	123,056	123,056
-	260,181	-	724,158
9,098	-	10,318	137,681
-	-	-	57,657
1,509	849	3,136	56,908
-	2,189,604	1,438	3,392,059
-	-	-	51,088
59,480	4,050	57,166	711,878
668,115	2,454,684	858,236	8,096,191
-	-	411,802	1,563,057
-	-	154,942	1,270,811
-	-	-	10,349
-	-	69,693	734,533
-	-	37,691	294,740
-	-	95,793	512,557
825,125	-	77,398	1,013,557
-	2,671,848	70,262	2,742,110
825,125	2,671,848	917,581	8,141,714
(157,010)	(217,164)	(59,345)	(45,523)
1,563,719	3,067,480	-	4,631,199
-	888,238	-	888,238
(1,563,719)	-	-	(1,563,719)
-	(773,000)	-	(773,000)
170,392	233,280	38,566	569,928
-	-	(11,753)	(225,492)
170,392	3,415,998	26,813	3,527,154
13,382	3,198,834	(32,532)	3,481,631
55,095	16,394	355,306	2,078,395
68,477	3,215,228	322,774	5,560,026
-	-	-	436,602
68,477	-	-	98,477
-	3,215,228	-	3,215,228
-	-	19,698	19,698
-	-	303,076	400,006
-	-	-	113,239
-	-	-	1,276,776
68,477	3,215,228	-	5,560,026

**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, 2011

**Total governmental funds cash balances (page 17)** \$ 5,560,026

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

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

305,112

**Cash basis net assets of governmental activities (page 15)** \$ 5,865,138

**Net change in cash balances (page 17)** \$ 3,481,631

***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.

(21,222)

**Change in cash basis net assets of governmental activities (page 15)** \$ 3,460,409

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, 2011

	Enterprise			Internal Service
	Storm Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 191,206	1,321,870	1,513,076	2,237,303
Miscellaneous	-	9,731	9,731	-
Total operating receipts	191,206	1,331,601	1,522,807	2,237,303
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,012,226
Public works	-	-	-	411,681
Culture and recreation	-	-	-	300,172
General government	-	-	-	317,740
Business type activities	39,438	533,898	573,336	223,573
Total operating disbursements	39,438	533,898	573,336	2,265,392
Excess (deficiency) of operating receipts over (under) operating disbursements	151,768	797,703	949,471	(28,089)
Non-operating receipts:				
Interest on investments	3,696	8,170	11,866	4,475
Excess (deficiency) of receipts over (under) disbursements	155,464	805,873	961,337	(23,614)
Operating transfers out	(114,533)	(229,903)	(344,436)	-
Net change in cash balances	40,931	575,970	616,901	(23,614)
Cash balances beginning of year	402,592	631,243	1,033,835	357,402
Cash balances end of year	\$ 443,523	1,207,213	1,650,736	333,788
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 443,523	1,207,213	1,650,736	333,788

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, 2011

**Total enterprise funds cash balances (page 20)** \$ 1,650,736

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

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

28,676

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

\$ 1,679,412

**Net change in cash balances (page 20)**

\$ 616,901

***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.

(2,392)

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

\$ 614,509

See notes to financial statements.

City of Atlantic

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

Discretely Presented Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 11 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2010 can be obtained from the Utility's administrative office, P.O. Box 517, 15 West Third Street, Atlantic, Iowa 50022.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

Expendable 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City reports the following additional proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there 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.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the City had investments in a money market account held by Edward Jones which is valued at an amortized cost of \$15,729 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in Edward Jones are unrated.

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Tax Increment Financing (TIF) Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 705,000	156,707	51,000	9,666	66,501	41,598	822,501	207,971
2013	540,000	135,513	27,500	6,871	73,493	38,206	640,993	180,590
2014	510,000	123,582	29,000	5,290	45,580	34,424	584,580	163,296
2015	555,000	111,190	30,500	3,623	47,768	32,236	633,268	147,049
2016	405,000	97,687	32,500	1,869	50,061	29,943	487,561	129,499
2017-2021	1,345,000	329,549	-	-	288,740	111,280	1,633,740	440,829
2022-2026	1,280,000	139,890	-	-	285,011	35,003	1,565,011	174,893
Total	\$5,340,000	1,094,118	170,500	27,319	857,154	322,690	6,367,654	1,444,127

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

Local Option Sales and Services Tax Revenue Bonds – The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$300,000 and \$1,000,000 of local option sales and services tax revenue bonds issued in September 1997 and March 2004, respectively. Proceeds from the bonds provided financing for the cost of street improvements and the recreation and wellness center. The bonds are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2013 and 2025, respectively. Annual principal and interest payments on the bonds are generally expected to require approximately 15% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,179,844. For the current year, principal and interest paid and total collections were \$111,034 and \$724,158, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

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

During the year ended June 30, 2011, the City was in compliance with the bond provisions.

General Obligation Refunding Bonds - On October 26, 2010, the City issued \$1,610,000 of general obligation refunding bonds for the current refunding of \$395,000 of general obligation swimming pool improvement notes dated March 1, 2001, \$100,000 of general obligation corporate purpose notes dated April 1, 2003, \$50,000 of general obligation economic development notes dated September 1, 2003 and \$220,000 of general obligation street improvement notes dated July 1, 2004. The refunding bonds also included advance refunding of the outstanding balance of \$460,000 of the \$1,710,000 of general obligation corporate purpose notes dated April 1, 2002, \$200,000 of the \$375,000 of general obligation corporate purpose notes issued February 15, 2006 and \$100,000 of the \$150,000 general obligation corporate purpose notes issued August 15, 2006. The bonds bear interest at 0.70% to 1.85% per annum and mature June 1, 2016.

For the advance refunding, the City entered into an escrow agreement with Bankers Trust Company, N.A., and deposited the proceeds from the refunding bonds to be used to purchase government securities in such amounts and such maturities to be sufficient to pay the principal and interest on the City's outstanding bonds. As a result, the bonds are considered to be defeased.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$57,000.

General Obligation Corporate Purpose Bond – On April 27, 2011, the City issued \$3,100,000 of general obligation corporate purpose bonds for the purpose of paying the costs of improvements to streets, city parks improvements, repairs to City Hall, street department garage and senior center and making a grant to Iowa Western Community College for building improvements. The bond matures on June 1, 2026.

Sewer Revenue Bonds – On June 24, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of sewer revenue bonds of up to \$11,717,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing improvements and extensions to the municipal sanitary sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2011, \$773,000 of proceeds were constructively received and used to refund the outstanding balance of \$773,000 on the November 12, 2009 sewer revenue note. In addition, the Iowa Finance Authority charged an initiation fee of 1%, or \$117,170, of the authorized borrowing for the sewer revenue bonds. A final repayment schedule has not yet been adopted.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bond. The bond is payable solely from sewer customer net receipts. The total amount of principal and interest remaining to be paid on the bond at June 30, 2011 is not available since a final repayment schedule has not been adopted.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments of principal and interest on the bonds falling due in the same year.

General Obligation Corporate Purpose Loan – The City entered into a general obligation equipment note agreement with Atlantic Municipal Utilities in March 2010. The City received and repaid \$164,200 during the year.

#### **(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$128,455, \$124,286 and \$121,485, respectively, equal to the required contributions for each year.

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

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

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

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 35 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranged from \$471 to \$583 for single coverage and \$1,150 to \$1,379 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$424,153 and plan members eligible for benefits contributed \$58,690 to the plan.

**(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, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 107,000
Compensatory time	45,000
Total	<u>\$ 152,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 35,000
	Enterprise:	
	Storm Water	30,000
	Sewer	62,690
		<u>127,690</u>
Special Revenue: I-Jobs Projects	Special Revenue: Road Use Tax	<u>38,566</u>
Debt Service	General	8,124
	Special Revenue:	
	Tax Increment Financing	11,753
	Enterprise:	
	Storm Water	64,533
	Sewer	85,982
		<u>170,392</u>
Capital Projects	General	42,596
	Special Revenue:	
	Road Use Tax	42,000
	Local Option Sales Tax	47,453
	Enterprise:	
	Storm Water	20,000
	Sewer	81,231
		<u>233,280</u>
Total		<u>\$ 569,928</u>

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

**(8) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 150 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, 2011 were \$109,233.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsure by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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 casualty contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital casualty contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and airport liability in the amount of \$1,000,000 and \$5,000,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Development Agreements**

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

The City agreed to rebate 100% of the incremental property tax paid by the developer, minus the amount of debt service tax levied by the taxing jurisdictions and physical plant and equipment tax levied by school districts, in exchange for construction of infrastructure by the developer. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed the lesser of actual cost of the public improvements paid for by the developer or \$186,000, plus interest. During the year ended June 30, 2011, the City paid the developer \$18,415 of principal. The outstanding principal balance of the agreement at June 30, 2011 is \$114,145.

The City agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the construction of a furniture store. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of five years beginning December 1, 2008 and semiannually thereafter until June 1, 2013. The total amount rebated shall not exceed \$50,000. During the year ended June 30, 2011, the City paid the developer \$10,000 of principal. The outstanding principal balance of the agreement at June 30, 2011 is \$15,000.

The City entered into an agreement with a developer regarding certain property on which the developer is constructing a residential subdivision. A portion of the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years, with the total amount rebated not to exceed \$240,000, including interest. The agreement includes two phases. The first phase calls for the City to provide the developer a grant not to exceed \$100,000. The second phase allows for a rebate of incremental property tax, not to exceed \$140,000, including interest. During the year ended June 30, 2011, the City disbursed \$100,000 under the agreement.

The City entered into a development agreement on June 15, 2011 to assist an urban renewal project. The agreement requires the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of a hotel. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of nine years beginning June 1, 2014 and annually thereafter until June 1, 2022. The total amount rebated shall not exceed \$41,000. In addition, the agreement provides the developer a \$125,000 grant. During the year ended June 30, 2011, the City disbursed \$125,000 under the agreement.

#### **(10) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Paradigm Benefits from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2011 was \$424,825.

**(11) 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. The following is the condensed financial information for the Utility for the year ended December 31, 2010.

Condensed Statements of Net Assets		
	Electric Department	Water Department
<b>Assets</b>		
Current assets	\$ 3,147,640	521,006
Capital assets, net of accumulated depreciation	22,954,060	3,730,783
Other	4,379,916	972,799
<b>Total assets</b>	<b>30,481,616</b>	<b>5,224,588</b>
<b>Liabilities</b>		
Current liabilities	1,505,176	588,932
Other liabilities	6,850,000	930,855
<b>Total liabilities</b>	<b>8,355,176</b>	<b>1,519,787</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	15,656,024	2,590,569
Restricted - expendable	1,450,549	3,145
Contributions in aid of construction	-	788,774
Unrestricted	5,019,867	322,313
<b>Total net assets</b>	<b>\$ 22,126,440</b>	<b>3,704,801</b>

Condensed Statements of Income		
	Electric Department	Water Department
Operating revenues:		
Electric sales	\$ 7,839,172	-
Water sales	-	1,102,274
Other	448,531	9,822
Total operating revenues	<b>8,287,703</b>	<b>1,112,096</b>
Operating expenses:		
Production - power/water costs	3,723,451	194,117
Transmission and distribution	1,689,652	215,102
General and administrative	2,605,163	536,569
Total operating expenses	<b>8,018,266</b>	<b>945,788</b>
Operating income	<b>269,437</b>	<b>166,308</b>
Non-operating revenues (expenses):		
Interest income	87,336	12,514
Interest expense	(297,048)	(30,833)
Other non-operating expenses	(18,315)	(3,025)
Total non-operating revenues (expenses)	<b>(228,027)</b>	<b>(21,344)</b>
Net income	<b>\$ 41,410</b>	<b>144,964</b>

Condensed Statements of Changes in Net Assets		
	Electric Department	Water Department
Net assets beginning of year	\$ 22,406,884	3,631,518
Net income	41,410	144,964
Contributions in aid of construction	-	6,465
Distribution to the City	(321,854)	(78,146)
Net assets end of year	<u>\$ 22,126,440</u>	<u>3,704,801</u>

Condensed Statements of Cash Flows		
	Electric Department	Water Department
Cash provided (used) by:		
Operating activities	\$ 1,295,526	339,763
Non-capital financing activities	3,868	181
Capital and related financing activities	(3,338,785)	(70,942)
Investing activities	903,062	207,448
Net increase (decrease) in cash	(1,136,329)	476,450
Cash beginning of year	2,272,383	300,982
Cash end of year	<u>\$ 1,136,054</u>	<u>777,432</u>

**(12) Construction Commitments**

The City entered into construction contracts for the construction of a new wastewater treatment plant and for various construction and street improvements during the year ended June 30, 2011. The unpaid contract balances at June 30, 2011 total \$13,062,275.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

Fund	Balances June 30, 2010, as previously reported	Change in fund type classification per implementation of GASB Statement No. 54	Balance July 1, 2010, as restated
General	\$ 1,085,496	125,000	1,210,496
Special Revenue:			
I-JOBS Projects	-	31,696	31,696
Cafeteria Plan	(103)	103	-
Economic Development			
Revolving Loan	125,000	(125,000)	-
Capital Projects	48,090	(31,696)	16,394
Internal Service:			
Cafeteria Plan	-	(103)	(103)

**City of Atlantic**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 2,841,706	-	-
Tax increment financing	123,056	-	-
Other city tax	861,839	-	-
Licenses and permits	57,657	-	-
Use of money and property	56,908	16,341	4,475
Intergovernmental	3,392,059	-	-
Charges for service	51,088	3,750,379	2,237,303
Miscellaneous	711,878	9,731	-
Total receipts	<u>8,096,191</u>	<u>3,776,451</u>	<u>2,241,778</u>
<b>Disbursements:</b>			
Public safety	1,563,057	1,012,226	1,012,226
Public works	1,270,811	411,681	411,681
Health and social services	10,349	-	-
Culture and recreation	734,533	300,172	300,172
Community and economic development	294,740	-	-
General government	512,557	317,740	317,740
Debt service	1,013,557	-	-
Capital projects	2,742,110	-	-
Business type activities	-	796,909	223,573
Total disbursements	<u>8,141,714</u>	<u>2,838,728</u>	<u>2,265,392</u>
Excess (deficiency) of receipts over (under) disbursements	(45,523)	937,723	(23,614)
Other financing sources (uses), net	<u>3,527,154</u>	<u>(344,436)</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,481,631	593,287	(23,614)
Balances beginning of year, as restated	<u>2,078,395</u>	<u>1,391,237</u>	<u>357,402</u>
Balances end of year	<u>\$ 5,560,026</u>	<u>1,984,524</u>	<u>333,788</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,841,706	2,838,461	2,838,461	3,245
123,056	113,195	113,195	9,861
861,839	713,335	768,335	93,504
57,657	130,260	130,260	(72,603)
68,774	75,300	75,300	(6,526)
3,392,059	2,040,596	2,218,096	1,173,963
1,564,164	1,427,500	1,427,500	136,664
721,609	567,722	845,722	(124,113)
<u>9,630,864</u>	<u>7,906,369</u>	<u>8,416,869</u>	<u>1,213,995</u>
1,563,057	1,705,507	1,705,507	142,450
1,270,811	1,587,524	1,612,524	341,713
10,349	12,000	12,000	1,651
734,533	679,625	779,625	45,092
294,740	240,902	315,902	21,162
512,557	522,867	522,867	10,310
1,013,557	974,216	2,584,216	1,570,659
2,742,110	11,219,562	11,219,562	8,477,452
573,336	511,261	821,761	248,425
<u>8,715,050</u>	<u>17,453,464</u>	<u>19,573,964</u>	<u>10,858,914</u>
915,814	(9,547,095)	(11,157,095)	12,072,909
<u>3,182,718</u>	<u>9,500,000</u>	<u>11,110,000</u>	<u>(7,927,282)</u>
4,098,532	(47,095)	(47,095)	4,145,627
<u>3,112,230</u>	<u>3,453,525</u>	<u>3,453,525</u>	<u>(341,295)</u>
<u>7,210,762</u>	<u>3,406,430</u>	<u>3,406,430</u>	<u>3,804,332</u>

City of Atlantic

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,120,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

City of Atlantic

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

As of and for the year ended June 30, 2011

	Special		
	Employee Benefits	I-JOBS Projects	Police Pension
<b>Receipts:</b>			
Property tax	\$ 614,842	-	24,140
Tax increment financing	-	-	-
Other city tax	9,568	-	375
Use of money and property	-	-	-
Intergovernmental	1,438	-	-
Miscellaneous	57,166	-	-
Total receipts	<u>683,014</u>	<u>-</u>	<u>24,515</u>
<b>Disbursements:</b>			
Operating:			
Public safety	368,551	-	25,076
Public works	154,942	-	-
Culture and recreation	69,693	-	-
Community and economic development	-	-	-
General government	95,793	-	-
Debt service	-	-	-
Capital projects	-	70,262	-
Total disbursements	<u>688,979</u>	<u>70,262</u>	<u>25,076</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(5,965)</u>	<u>(70,262)</u>	<u>(561)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	38,566	-
Operating transfers out	-	-	-
Total financing sources (uses)	<u>-</u>	<u>38,566</u>	<u>-</u>
Net change in cash balances	(5,965)	(31,696)	(561)
Cash balances beginning of year, as restated	94,907	31,696	1,979
Cash balances end of year	<u>\$ 88,942</u>	<u>-</u>	<u>1,418</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Tax increment financing	\$ -	-	-
Other purposes	88,942	-	1,418
Total cash basis fund balance	<u>\$ 88,942</u>	<u>-</u>	<u>1,418</u>

See accompanying independent auditor's report.

Revenue				
Fire Pension	Tax Increment Financing	Grant Matching		Total
24,140	-	-		663,122
-	123,056	-		123,056
375	-	-		10,318
3,136	-	-		3,136
-	-	-		1,438
-	-	-		57,166
<u>27,651</u>	<u>123,056</u>	<u>-</u>		<u>858,236</u>
18,175	-	-		411,802
-	-	-		154,942
-	-	-		69,693
-	37,691	-		37,691
-	-	-		95,793
-	77,398	-		77,398
-	-	-		70,262
<u>18,175</u>	<u>115,089</u>	<u>-</u>		<u>917,581</u>
9,476	7,967	-		(59,345)
-	-	-		38,566
-	(11,753)	-		(11,753)
-	(11,753)	-		26,813
9,476	(3,786)	-		(32,532)
<u>157,624</u>	<u>23,484</u>	<u>45,616</u>		<u>355,306</u>
<u>167,100</u>	<u>19,698</u>	<u>45,616</u>		<u>322,774</u>
-	19,698	-		19,698
<u>167,100</u>	<u>-</u>	<u>45,616</u>		<u>303,076</u>
<u>167,100</u>	<u>19,698</u>	<u>45,616</u>		<u>322,774</u>

**Schedule 2**

## City of Atlantic

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

As of and for the year ended June 30, 2011

	Payroll Revolving	Medical Benefit Self Insurance	Cafeteria Plan	Total
Operating receipts:				
Charges for service:				
Personal service costs from operating funds	\$1,801,908	424,825	10,570	2,237,303
Operating disbursements:				
Governmental activities:				
Public safety	794,240	217,986	-	1,012,226
Public works	314,900	96,781	-	411,681
Culture and recreation	269,183	30,989	-	300,172
General government	245,335	62,153	10,252	317,740
Business type activities	178,250	45,323	-	223,573
Total operating disbursements	1,801,908	453,232	10,252	2,265,392
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(28,407)	318	(28,089)
Non-operating receipts:				
Interest on investments	-	4,475	-	4,475
Net change in cash balances	-	(23,932)	318	(23,614)
Cash balances beginning of year, as restated	-	357,505	(103)	357,402
Cash balances end of year	\$ -	333,573	215	333,788

See accompanying independent auditor's report.

**City of Atlantic**

City of Atlantic  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Swimming pool improvement	Mar 1, 2001	4.40-5.40%	\$ 700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Economic development	Sep 1, 2003	2.15-4.60	110,000
Street improvement	Jul 1, 2004	2.00-4.35	500,000
Corporate purpose	Feb 15, 2006	3.50-4.10	375,000
Corporate purpose	Aug 15, 2006	4.10-4.45	150,000
Total			
General obligation bonds:			
Corporate purpose	Nov 15, 2007	3.40-3.90%	\$ 1,560,000
Fire equipment	Jan 15, 2009	4.40-5.20	395,000
Refunding	Oct 26, 2010	0.70-1.85	1,610,000
Corporate purpose	Apr 27, 2011	2.50-3.70	3,100,000
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1995	6.70-7.30%	\$ 115,000
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 bonds:			
Sewer	Nov 12, 2009	-	\$ 773,000
Sewer	Jun 24, 2011	3.00% *	11,717,000
Total			
Atlantic Municipal Utilities note agreement:			
General obligation corporate purpose loan	Mar 17, 2010	0.00%	\$ 164,200

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
395,000	-	395,000	-	8,314
460,000	-	460,000	-	22,610
100,000	-	100,000	-	1,433
50,000	-	50,000	-	885
220,000	-	220,000	-	3,686
200,000	-	200,000	-	7,858
100,000	-	100,000	-	4,350
<b>\$ 1,525,000</b>	-	<b>1,525,000</b>	-	<b>49,136</b>
890,000	-	115,000	775,000	33,113
330,000	-	70,000	260,000	15,577
-	1,610,000	405,000	1,205,000	9,718
-	3,100,000	-	3,100,000	-
<b>\$ 1,220,000</b>	<b>4,710,000</b>	<b>590,000</b>	<b>5,340,000</b>	<b>58,408</b>
15,000	-	15,000	-	548
50,000	-	25,000	25,000	2,575
170,000	-	24,500	145,500	9,775
<b>\$ 235,000</b>	-	<b>64,500</b>	<b>170,500</b>	<b>12,898</b>
80,000	-	25,000	55,000	6,030
841,754	-	39,600	802,154	40,404
<b>\$ 921,754</b>	-	<b>64,600</b>	<b>857,154</b>	<b>46,434</b>
657,762	115,238	773,000	-	-
-	890,170	-	890,170	-
<b>\$ 657,762</b>	<b>1,005,408</b>	<b>773,000</b>	<b>890,170</b>	<b>-</b>
-	164,200	164,200	-	-

**City of Atlantic**

City of Atlantic  
Bond Maturities  
June 30, 2011

General Obligation Bonds										
Year Ending June 30,	Corporate Purpose Issued Nov 15, 2007		Fire Equipment Issued Jan. 15, 2009		Refunding Issued Oct. 26, 2010		Corporate Purpose Issued Apr. 27, 2011			Total
	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amounts	Rates	Amounts	Rates	Amounts		
2012	3.60%	\$ 120,000	4.55%	\$ 5,000	0.80%	\$ 415,000	2.500%	\$ 165,000		705,000
2013	3.65	125,000		-	1.00	315,000	2.500	100,000		540,000
2014	3.70	130,000		-	1.20	280,000	2.500	100,000		510,000
2015	3.80	135,000	4.30	120,000	1.85	130,000	2.500	170,000		555,000
2016	3.85	140,000		-	1.85	65,000	2.625	200,000		405,000
2017	3.90	125,000		-		-	2.625	205,000		330,000
2018		-	4.50	135,000		-	2.625	210,000		345,000
2019		-		-		-	2.625	215,000		215,000
2020		-		-		-	2.850	225,000		225,000
2021		-		-		-	3.100	230,000		230,000
2022		-		-		-	3.250	240,000		240,000
2023		-		-		-	3.400	250,000		250,000
2024		-		-		-	3.500	255,000		255,000
2025		-		-		-	3.600	260,000		260,000
Total		<u>\$775,000</u>		<u>\$ 260,000</u>		<u>\$ 1,205,000</u>		<u>\$ 3,100,000</u>		<u>5,340,000</u>

Tax Increment Financing (TIF) Revenue Bonds						Revenue Bonds				
Year Ending June 30,	Country Oaks Addition Issued Jul 1, 2001		North Urban Renewal Business Park Issued Mar 21, 2006		Total	Local Option Sales and Services Tax Issued Sep 1, 1997		Local Option Sales and Services Tax Issued Mar 1, 2004		Total
	Interest		Interest			Interest		Interest		
	Rates	Amount	Rates	Amount		Rates	Amount	Rates	Amount	
2012	5.20%	\$ 25,000	5.75%	\$ 26,000	51,000	5.60%	\$ 25,000	4.80%	\$ 41,501	66,501
2013		-	5.75	27,500	27,500	5.65	30,000	4.80	43,493	73,493
2014		-	5.75	29,000	29,000		-	4.80	45,580	45,580
2015		-	5.75	30,500	30,500		-	4.80	47,768	47,768
2016		-	5.75	32,500	32,500		-	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
		<u>\$ 25,000</u>		<u>\$ 145,500</u>	<u>170,500</u>		<u>\$ 55,000</u>		<u>\$ 802,154</u>	<u>857,154</u>

See accompanying independent auditor's report.

City of Atlantic

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

For the Last Ten Years

	2011	2010	2009
<b>Receipts:</b>			
Property tax	\$ 2,841,706	2,610,770	2,848,499
Tax increment financing	123,056	124,486	109,725
Local option sales tax	724,158	739,713	774,698
Other city tax	137,681	130,595	132,693
Licenses and permits	57,657	55,387	46,329
Use of money and property	56,908	65,980	115,318
Intergovernmental	3,392,059	1,739,197	1,625,672
Charges for service	51,088	50,054	39,586
Special assessments	-	-	-
Miscellaneous	711,878	351,292	738,535
<b>Total</b>	<b>\$ 8,096,191</b>	<b>5,867,474</b>	<b>6,431,055</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	\$ 1,563,057	1,917,127	1,929,247
Public works	1,270,811	1,444,231	1,516,690
Health and social services	10,349	9,700	11,993
Culture and recreation	734,533	505,058	539,893
Community and economic development	294,740	206,676	210,406
General government	512,557	514,114	521,550
Debt service	1,013,557	1,057,967	1,094,777
Capital projects	2,742,110	1,843,733	1,389,972
<b>Total</b>	<b>\$ 8,141,714</b>	<b>7,498,606</b>	<b>7,214,528</b>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003	2002
2,728,825	2,563,716	2,439,308	2,377,815	2,330,119	2,342,037	2,018,353
247,992	238,660	158,355	212,041	177,535	178,049	132,195
674,076	726,447	582,645	533,772	616,797	542,490	503,297
130,483	116,357	113,038	119,718	120,772	118,233	84,095
28,908	26,704	29,882	26,464	27,075	19,802	18,572
159,049	171,874	135,334	74,608	61,512	80,735	116,095
2,745,491	4,085,700	3,622,092	2,603,514	1,670,043	2,119,797	899,730
37,908	38,493	41,544	33,986	52,715	45,899	44,919
-	-	729	7,624	10,858	12,909	12,260
276,775	476,955	454,504	497,487	1,305,812	2,135,906	462,629
7,029,507	8,444,906	7,577,431	6,487,029	6,373,238	7,595,857	4,292,145
2,128,960	1,951,333	1,965,094	1,468,009	1,199,522	1,199,427	1,228,883
1,460,714	1,131,099	1,194,866	977,604	1,120,237	937,371	737,446
9,998	-	12,385	21,873	2,980	-	2,411
518,574	553,493	423,996	405,853	421,150	430,953	360,410
382,197	256,151	494,547	121,653	103,790	100,569	229,574
505,944	499,782	456,453	429,838	429,845	438,215	391,533
1,974,011	1,100,134	1,079,642	1,239,380	2,042,651	1,118,732	883,710
2,033,635	3,475,138	3,213,291	2,885,382	3,574,090	4,297,777	2,809,890
9,014,033	8,967,130	8,840,274	7,549,592	8,894,265	8,523,044	6,643,857

**City of Atlantic**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 24, 2012. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Atlantic Municipal Utilities, a discretely presented component unit, as described in our report on the City of Atlantic's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

Management of the City of Atlantic is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) through (D) to be significant deficiencies.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Atlantic's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 and 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 24, 2012

City of Atlantic

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to accounting records.
- 7) Petty cash – Custody, reconciling and recording.

In addition, an independent person does not enter payroll rates and testing of the rates is not retained by the City.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

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

Conclusion – Response accepted.

(B) Data Processing Systems – The City does not have a written policy to require users to use screen saver passwords to protect personal computers (PCs) during the day when left unattended.

Recommendation – The City should develop a policy to require users to use a screen saver password to protect PCs during the day when left unattended.

Response – The City’s tech support will make changes to the computers so that when an employee is away from his/her computer for a designated period of time, the computer will lock and a password will be required to unlock the computer.

Conclusion – Response accepted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2011

- (C) Initial Receipts Listing – Although the City prepares an initial listing of receipts, an independent person does not compare the listing to deposits to determine all receipts have been properly deposited.

Recommendation – An independent person should periodically compare the initial receipt listing to deposits to determine all receipts have been properly deposited.

Response – The Assistant to the City Administrator will periodically compare the listing to determine that the receipts have been properly deposited.

Conclusion – Response accepted.

- (D) Service Organization – The Atlantic Municipal Utilities (AMU) bills, collects and remits sewer receipts to the City.

The City has not established procedures to determine AMU is billing, collecting and remitting all sewer receipts to the City.

Recommendation – The City should establish procedures to obtain a reconciliation of billings, collections and balances or other documentation from AMU to assure the City is receiving all required sewer receipts.

Response – At the end of each quarter, an aged accounts receivable report will be obtained from AMU and reviewed along with the monthly sewer account reconciliation that is presently being reviewed.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2011

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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	Hot mix asphalt, per bid Cold patch asphalt, per bid	\$ 5,973 4,996

In accordance with Chapter 362.5(3)(i) of the Code of Iowa, the hot mix asphalt and cold patch asphalt transactions with the Airport Commissioner do not appear to represent conflicts of interest since they were competitively bid.

- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, total disbursements by fund were not published as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 372.13 of the Code of Iowa.

Response – At the end of the list of disbursements presently being published, totals by fund will be added.

Conclusion – Response accepted.

- (7) 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.
- (8) Revenue Bonds – No instances of non-compliance with provisions of the revenue bond resolutions were noted.

City of Atlantic

Schedule of Findings

Year ended June 30, 2011

- (9) Economic Development – The City provides funding to Cass/Atlantic Economic Development and to the Atlantic Chamber of Commerce. In accordance with Chapter 15A of the Code of Iowa, the City should be providing oversight of these funds to determine the funds are being spent in accordance with the agreement and expenses meet the test of public purpose.

For the year ended June 30, 2011, there was no evidence of City oversight of funds provided for economic development.

Recommendation – The City should establish procedures for oversight of funds disbursed in accordance with Chapter 15A of the Code of Iowa.

Response – The City will ask for documentation from the Atlantic Chamber of Commerce and Cass/Atlantic Economic Development to determine the funds are being spent in accordance with the agreement and disbursements meet the test of public purpose.

Conclusion – Response accepted.

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City of Atlantic

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Donald J. Lewis, CPA, Senior Auditor  
Alison P. Herold, CPA, Staff Auditor  
Victor L. Kennedy, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State