CITY OF ATLANTIC, IOWA

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

JUNE 30, 2016

CITY OF ATLANTIC, IOWA
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CITY OF ATLANTIC, IOWA
OFFICIALS
June 30, 2016

(Before January, 2016)

Name	Title	Term Expires
David R. Jones	Mayor	January, 2018
Richard Casady	Council Member	January, 2018
Bob Cord	Council Member	January, 2018
Kathy Somers	Council Member	January, 2018
Dana Halder	Council Member	January, 2016
Linda Hartkopf	Council Member	January, 2016
Ashley Hayes	Council Member	January, 2016
Chris Jimerson	Council Member	January, 2016
John Lund	City Administrator	Indefinite
Deb Wheatley Field	City Clerk/Treasurer	January, 2016
David L. Wiederstein	City Attorney	January, 2016

(After January, 2016)

David R. Jones	Mayor	January, 2018
Richard Casady	Council Member	January, 2018
Gerald Brink	Council Member	January, 2018
Kathy Somers	Council Member	January, 2018
Dana Halder	Council Member	January, 2020
Linda Hartkopf	Council Member	January, 2020
Ashley Hayes	Council Member	January, 2020
Chris Jimerson	Council Member	January, 2020
John Lund	City Administrator	Indefinite
Deb Wheatley Field	City Clerk/Treasurer	January, 2020
David L. Wiederstein	City Attorney	January, 2020

Gronewold, Bell, Kyhnn & Co. P.C.
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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the City's discretely presented component unit because the Atlantic Municipal Utilities System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Atlantic as of June 30, 2016, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Atlantic's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (which is not presented herein) and expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2013 (none of which are presented herein), were audited by other auditors whose report expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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.

To the Honorable Mayor and
Members of the City Council

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2017 on our consideration of the City of Atlantic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Atlantic's internal control over financial reporting and compliance.

Grassworth, Ben, Kyhn & Co. P.C.

Atlantic, Iowa
February 7, 2017

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2016

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	$ 3,684,705	$ 968,757	$ 14,516
Public works	2,175,911	611,739	888,374
Health and social services	6,483	--	--
Culture and recreation	1,439,554	381,872	225,043
Community and economic development	626,534	50,455	3,100
General government	1,009,885	356,863	405,899
Debt service	1,209,150	--	--
Capital projects	2,220,283	--	--
Total governmental activities	12,372,505	2,369,686	1,536,932
Business type activities:			
Sewer	1,769,688	1,910,190	--
Storm water	214,735	212,003	--
Total business type activities	1,984,423	2,122,193	--
Total	$ 14,356,928	$ 4,491,879	$ 1,536,932

General Receipts, Transfers and Other Disbursements:
- 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
- Proceeds of refunding bonds
- Payments to refunded bond escrow agent
- Miscellaneous
- Sale of capital assets

Transfers

Total general receipts, transfers and other disbursements

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

(continued next page)

Program Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
$ --	$(2,701,432)	$ --	$(2,701,432)
--	(675,798)	--	(675,798)
--	(6,483)	--	(6,483)
--	(832,639)	--	(832,639)
--	(572,979)	--	(572,979)
--	(247,123)	--	(247,123)
--	(1,209,150)	--	(1,209,150)
527,692	(1,692,591)	--	(1,692,591)
527,692	(7,938,195)	--	(7,938,195)
--	--	140,502	140,502
--	--	(2,732)	(2,732)
--	--	137,770	137,770
$ 527,692	(7,938,195)	137,770	(7,800,425)
	2,730,726	--	2,730,726
	891,466	--	891,466
	143,310	--	143,310
	891,112	--	891,112
	60,181	--	60,181
	8,679	2,666	11,345
	2,725,685	--	2,725,685
	2,015,422	--	2,015,422
	(1,996,828)	--	(1,996,828)
	190,706	17,948	208,654
	1,432	--	1,432
	669,450	(669,450)	--
	8,331,341	(648,836)	7,682,505
	393,146	(511,066)	(117,920)
	6,544,161	2,142,675	8,686,836
	$ 6,937,307	$ 1,631,609	$ 8,568,916

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2016

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Cash Basis Net Position			
Restricted:			
Expendable:			
Streets			
Local option sales tax			
Debt service			
Capital projects			
Tax increment financing			
Other purposes			
Unrestricted			
Total cash basis net position			

The accompanying notes are an integral part of these statements.

Program Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
	$ 426,776	$ --	$ 426,776
	194,144	--	194,144
	150,616	--	150,616
	3,347,184	--	3,347,184
	145,567	--	145,567
	536,990	--	536,990
	2,136,030	1,631,609	3,767,639
	$ 6,937,307	$ 1,631,609	$ 8,568,916

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	General	Debt Service
Receipts:		
Property tax	$ 1,854,213	$ 879,775
Tax increment financing	--	--
Local option sales tax	205,152	--
Other city tax	26,238	11,691
Licenses and permits	77,177	--
Use of money and property	88,522	611
Intergovernmental	92,642	--
Charges for service	326,607	--
Miscellaneous	692,142	--
Total receipts	3,362,693	892,077
Disbursements:		
Operating:		
Public safety	1,735,855	--
Public works	493,740	--
Health and social services	--	--
Culture and recreation	919,203	--
Community and economic development	196,954	--
General government	473,226	--
Debt service	--	1,094,777
Capital projects	--	--
Total disbursements	3,818,978	1,094,777
Excess (deficiency) of receipts over (under) disbursements	(456,285)	(202,700)
Other financing sources (uses):		
Sale of capital assets	533	--
Debt proceeds	--	--
Proceeds of refunding bonds	--	2,015,422
Payment to refunded bond escrow agent	--	(1,996,828)
Operating transfers in	177,649	238,235
Operating transfers out	(391,289)	--
Total other financing sources (uses)	(213,107)	256,829
Change in cash balances	(669,392)	54,129
Cash balances beginning of year	2,810,830	96,487
Cash balances end of year	$ 2,141,438	$ 150,616

(continued next page)

Capital Projects	Nonmajor	Total
$ --	$ 838,908	$ 3,572,896
--	143,310	143,310
356,445	329,515	891,112
--	11,367	49,296
--	--	77,177
1,784	1,876	92,793
161,333	880,261	1,134,236
--	--	326,607
366,766	87,178	1,146,086
886,328	2,292,415	7,433,513
--	459,547	2,195,402
--	1,042,153	1,535,893
--	6,483	6,483
--	96,608	1,015,811
--	409,665	606,619
--	123,164	596,390
--	114,373	1,209,150
2,220,283	--	2,220,283
2,220,283	2,251,993	9,386,031
(1,333,955)	40,422	(1,952,518)
--	899	1,432
2,725,685	--	2,725,685
--	--	2,015,422
--	--	(1,996,828)
505,025	--	920,909
(147,551)	(273,412)	(812,252)
3,083,159	(272,513)	2,854,368
1,749,204	(232,091)	901,850
1,597,980	1,535,568	6,040,865
$ 3,347,184	$ 1,303,477	$ 6,942,715

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2016

	General	Debt Service
Cash Basis Fund Balances		
Restricted for:		
Streets	$ --	$ --
Local option sales tax	--	--
Debt service	--	150,616
Capital projects	--	--
Tax increment financing	--	--
Other purposes	--	--
Assigned to:		
Fire station	118,613	--
Unassigned	2,022,825	--
Total cash basis fund balances	$ 2,141,438	$ 150,616

The accompanying notes are an integral part of these statements.

Capital Projects	Nonmajor	Total
$ --	$ 426,776	$ 426,776
--	194,144	194,144
--	--	150,616
3,347,184	--	3,347,184
--	145,567	145,567
--	536,990	536,990
--	--	118,613
--	--	2,022,825
$ 3,347,184	$ 1,303,477	$ 6,942,715

CITY OF ATLANTIC, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

Total governmental funds cash balances (page 7)	$ 6,942,715
Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:	
The Internal Service Funds is used by management to charge the costs 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 Position.	(5,408)
Cash basis net position of governmental activities (page 5)	$ 6,937,307
Change in cash balances (Page 7)	$ 901,850
Amounts reported for governmental activities in the Cash Basis Statements of Activities and Net Position are different because:	
The Internal Service Fund is used by management to charge the costs of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is included in governmental activities	(508,704)
Change in cash balances of governmental activities (page 5)	$ 393,146

The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2016

	Enterprise	
	Sewer	Storm Water Nonmajor
Operating receipts:		
Charges for service	$ 1,644,158	$ 212,003
Total operating receipts	1,644,158	212,003
Operating disbursements:		
Governmental activities:		
Public safety	--	--
Public works	--	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	--
Business type activities	721,791	214,735
Total operating disbursements	721,791	214,735
Excess of operating receipts over operating disbursements	922,367	(2,732)
Non-operating receipts (disbursements):		
Interest on investments	2,147	512
Miscellaneous	17,948	--
Debt service	(689,628)	--
Net non-operating receipts (disbursements)	(669,533)	512
Excess of receipts over disbursements	252,834	(2,220)
Operating transfers in	3,000	10,683
Operating transfers out	(692,910)	(38,600)
Total transfers in (out)	(689,910)	(27,917)
Change in cash balances	(437,076)	(30,137)
Cash balances beginning of year	1,856,977	231,308
Cash balances end of year	$ 1,419,901	$ 201,171
Cash Basis Fund Balances		
Restricted for debt service	$ 57,469	$ --
Unrestricted	1,362,432	201,171
Total cash basis fund balances	$ 1,419,901	$ 201,171

The accompanying notes are an integral part of these statements.

Enterprise Total	Internal Service
$ 1,856,161	$ 2,182,946
1,856,161	2,182,946
--	1,489,303
--	640,018
--	423,743
--	19,915
--	413,495
936,526	358,269
936,526	3,344,743
919,635	(1,161,797)
2,659	70
17,948	--
(689,628)	--
(669,021)	70
250,614	(1,161,727)
13,683	609,170
(731,510)	--
(717,827)	609,170
(467,213)	(552,557)
2,088,285	557,686
$ 1,621,072	$ 5,129
$ 57,469	$ --
1,563,603	5,129
$ 1,621,072	$ 5,129

CITY OF ATLANTIC, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 10)	$ 1,621,072
Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:	
The Internal Service Fund is used by management to charge the costs 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 Position.	10,537
Cash basis net assets of business type activities (page 5)	$ 1,631,609
Change in cash balances (Page 10)	$(467,213)
Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:	
The Internal Service Fund is used by management to charge the costs of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is included in business type activities	(43,853)
Change in cash balances of business type activities (page 5)	$(511,066)

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atlantic, Iowa is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1869 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.

The financial statements do not include financial data for the Atlantic Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded 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 forth by the Government Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements
The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

The Debt Service Fund is utilized to account for property tax and other receipts 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 fund:

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 fund:

An Internal Service Fund is 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 position 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:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

NOTE 3 - BONDS 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		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	$ 1,120,000	$ 313,967	$ 405,464	$ 339,120
2018	960,000	288,673	418,982	326,012
2019	950,000	207,455	433,621	312,453
2020	1,000,000	193,585	448,387	298,407
2021	1,045,000	177,990	464,285	283,868
2022-2026	5,215,000	579,000	2,492,012	1,182,383
2027-2031	1,840,000	121,740	2,590,000	794,160
2032-2036	190,000	11,600	3,039,000	379,500
2037	--	--	668,000	20,039
	$ 12,320,000	$ 1,894,010	$ 10,959,751	$ 3,935,942

Year Ending June 30,	Total	
	Principal	Interest
2017	$ 1,525,464	$ 653,087
2018	1,378,982	614,685
2019	1,383,621	519,908
2020	1,448,387	491,992
2021	1,509,285	461,858
2022-2026	7,707,012	1,761,383
2027-2031	4,430,000	915,900
2032-2036	3,229,000	391,100
2037	668,000	20,039
	$ 23,279,751	$ 5,829,952

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay $1,000,000 of local option sales and services tax revenue bonds issued in March, 2004. Proceeds from the bonds provided financing for the cost of the recreation and wellness center. The bonds are payable solely from the proceeds of the local options sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2025. Annual principal and interest payments on the bonds are expected to require approximately 71% of the LOST fund local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is $720,033. For the current year, principal and interest paid and net tax receipts were $80,004 and $113,209, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

NOTE 3 - BONDS PAYABLE - Continued

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

(a) The bonds will only be redeemed from the future local option sales and services tax received by the City and the bond holders hold a lien on the future revenues received.

(b) A local option sales and services tax revenue bond sinking account shall be established to account for 15% of the local option sales and services 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.

During the year ended June 30, 2016, the City was in compliance with the bond provisions.

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) through the State Revolving Fund Loan program for the issuance of up to $11,717,000 of sewer revenue bonds 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 bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of building a new wastewater treatment plant, and constructing improvements and extensions to the municipal sanitary sewer system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 75% of net receipts. The total principal and interest remaining to be paid on the bonds is $14,175,660. For the current year, principal and interest paid and total customer net receipts were $689,628 and $922,367, respectively.

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.

During the year ended June 30, 2016, the City was in compliance with the bond provisions.

NOTE 4 - DEFEASANCE OF DEBT

On May 5, 2016, the City issued $1.98 million in General Obligation Bonds with an average interest rate of 1.96% to advance refund $1.95 million of outstanding 2011 Corporate Purpose Bonds with an average interest rate of 2.07%. The net proceeds of $1.997 million, including $35,000 of premium (after payment of $18,000 in underwriting fees, insurance and other insurance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011 Corporate Purpose Bonds. As a result, the 2011 Corporate Purpose Bonds are considered to be defeased and the liability for these bonds has been removed from the Schedule of Indebtedness.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $30,000. The City completed the advance refunding to increase its total debt service payments over the next sixteen years by $12,143 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $78,194.

NOTE 5 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

NOTE 5 - PENSION PLAN - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

NOTE 5 - PENSION PLAN - Continued

The City's contributions to IPERS for the year ended June 30, 2016 totaled $192,372.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of $668,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.013537%, which was an increase of 0.001530% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled $92,650, $238,606 and $336,280 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTE 5 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 - PENSION PLAN - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	$ 1,651,017	$ 688,804	$(159,644)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 36 active and 1 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 $578 to $599 for single coverage and $1,101 to $1,743 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City contributed $502,342 and plan members eligible for benefits contributed $40,529 to the plan.

NOTE 7 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave 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. These employees will receive a payout of one-half the total accumulated sick hours, up to 240 hours, upon retirement only. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$ 98,000
Sick leave	176,000
Compensatory time	37,000
Total	$ 311,000

This liability has been computed based on rates of pay in effect at June 30, 2016.

NOTE 8 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	$ 37,392
	Tax Increment Financing	20,532
	Local Option Sales Tax	11,625
	Enterprise:	
	Storm Water	31,100
	Sewer	77,000
		177,649
Debt Service	General	32,000
	Capital Projects	136,868
	Special Revenue:	
	Tax Increment Financing	51,714
	Enterprise:	
	Storm Water	3,750
	Sewer	13,903
		238,235
Capital Projects	General	359,289
	Special Revenue:	
	Road Use Tax	90,370
	Local Option Sales Tax	50,000
	Enterprise:	
	Storm Water	3,750
	Sewer	1,616
		505,025
Enterprise: Sewer	Special Revenue: Tax Increment Financing	3,000
Enterprise: Storm Water	Capital Projects	10,683
Internal Service: Medical Benefits	Special Revenue:	
	Employee Benefits	8,779
	Enterprise:	
	Sewer	600,391
		609,170
		$ 1,543,762

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

NOTE 9 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 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 has 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2016 were approximately $133,000.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

NOTE 9 - RISK MANAGEMENT - Continued

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been disclosed in the City's financial statements. As of June 30, 2016, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 $5,600,000, 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.

NOTE 10 - COMMITMENTS

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2016. The unpaid contract balances at June 30, 2016 total approximately $1,334,000. The unpaid contract balances will be financed with the use of existing funds.

NOTE 11 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through February 7, 2017, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF ATLANTIC, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	$ 3,572,896	$ --	$ --
Tax increment financing	143,310	--	--
Other city tax	940,408	--	--
Licenses and permits	77,177	--	--
Use of money and property	92,793	2,729	70
Intergovernmental	1,134,236	--	--
Charges for service	326,607	4,039,107	2,182,946
Miscellaneous	1,146,086	17,948	--
Total receipts	7,433,513	4,059,784	2,183,016
Disbursements:			
Public safety	2,195,402	1,489,303	1,489,303
Public works	1,535,893	640,018	640,018
Culture and recreation	6,483	--	--
Health and social services	1,015,811	423,743	423,743
Community and economic development	606,619	19,915	19,915
General government	596,390	413,495	413,495
Debt service	1,209,150	--	--
Capital projects	2,220,283	--	--
Business type activities	--	1,984,423	358,269
Total disbursements	9,386,031	4,970,897	3,344,743
Excess (deficiency) of receipts over (under) disbursements	(1,952,518)	(911,113)	(1,161,727)
Other financing sources (uses), net	2,854,368	(108,657)	609,170
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	901,850	(1,019,770)	(552,557)
Balances beginning of year	6,040,865	2,645,971	557,686
Balances end of year	$ 6,942,715	$ 1,626,201	$ 5,129

See accompanying independent auditor's report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
$ 3,572,896	$ 3,438,271	$ 3,438,271	$ 134,625
143,310	141,500	141,500	1,810
940,408	868,515	996,515	(56,107)
77,177	117,554	117,554	(40,377)
95,452	190,465	190,465	(95,013)
1,134,236	1,691,563	2,068,563	(934,327)
2,182,768	1,930,900	1,930,900	251,868
1,164,034	410,377	905,377	258,657
9,310,281	8,789,145	9,789,145	(478,864)
2,195,402	2,148,890	2,460,890	265,488
1,535,893	1,550,086	1,690,326	154,433
6,483	12,000	12,000	5,517
1,015,811	1,035,480	1,115,480	99,669
606,619	581,726	683,226	76,607
596,390	582,207	607,607	11,217
1,209,150	1,194,322	1,194,322	(14,828)
2,220,283	1,634,990	2,454,840	234,557
1,626,154	2,186,189	2,186,189	560,035
11,012,185	10,925,890	12,404,880	1,392,695
(1,701,904)	(2,136,745)	(2,615,735)	913,831
2,136,541	--	2,744,279	(607,738)
434,637	(2,136,745)	128,544	306,093
8,129,150	6,941,150	6,941,150	1,188,000
$ 8,563,787	$ 4,804,405	$ 7,069,694	$ 1,494,093

CITY OF ATLANTIC, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2016

The budgetary comparison is presented 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 included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $1,478,990. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the debt service function.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*

OTHER INFORMATION

	2016	2015
City's proportion of the net pension liability	0.013537%	0.012007%
City's proportionate share of the net pension liability	$ 668,804	$ 476,202
City's covered-employee payroll:	$ 1,849,667	$ 1,841,247
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.16%	25.86%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 3 FISCAL YEARS

OTHER INFORMATION

	2016	2015	2014
Statutorily required contribution	$ 192,000	$ 175,000	$ 174,000
Contributions in relation to the statutorily required contribution	(192,000)	(175,000)	(174,000)
Contribution deficiency (excess)	$ --	$ --	$ --
City's covered-employee payroll	$ 2,072,000	$ 1,850,000	$ 1,841,000
Contributions as a percentage of covered-employee payroll	9.27%	9.46%	9.45%

Note: Amounts are rounded

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue			
	Road Use	Employee Benefits	Local Option Sales Tax	Police Pension
Receipts:				
Property tax	$ --	$ 838,908	$ --	$ --
Tax increment financing	--	--	--	--
Local option sales tax	--	--	329,515	--
Other city tax	--	11,367	--	--
Use of money and property	--	447	230	829
Intergovernmental	878,896	1,365	--	--
Miscellaneous	9,071	75,416	1,179	--
Total receipts	887,967	927,503	330,924	829
Disbursements:				
Operating:				
Public safety	--	439,705	--	19,539
Public works	848,845	187,259	6,049	--
Health and social services	--	--	6,483	--
Culture and recreation	--	96,608	--	--
Community and economic development	--	--	105,056	--
General government	--	103,041	20,123	--
Debt service	--	--	80,004	--
Total disbursements	848,845	826,613	217,715	19,539
Excess (deficiency) of receipts over (under) disbursements	39,122	100,890	113,209	(18,710)
Other financing sources (uses):				
Sale of capital assets	899	--	--	--
Operating transfers out	(127,762)	(8,779)	(61,625)	--
Total other financing sources (uses)	(126,863)	(8,779)	(61,625)	--
Change in cash balances	(87,741)	92,111	51,584	(18,710)
Cash balances beginning of year	514,517	259,761	142,560	158,996
Cash balances end of year	$ 426,776	$ 351,872	$ 194,144	$ 140,286

(continued next page)

Special Revenue				
Fire Pension	Tax Increment Financing	Grant Matching	Police Forfeiture	Total
$ --	$ --	$ --	$ --	$ 838,908
--	143,310	--	--	143,310
--	--	--	--	329,515
--	--	--	--	11,367
--	354	--	16	1,876
--	--	--	--	880,261
--	--	--	1,512	87,178
--	143,664	--	1,528	2,292,415
--	--	--	303	459,547
--	--	--	--	1,042,153
--	--	--	--	6,483
--	--	--	--	96,608
--	304,609	--	--	409,665
--	--	--	--	123,164
--	34,369	--	--	114,373
--	338,978	--	303	2,251,993
--	(195,314)	--	1,225	40,422
--	--	--	--	899
--	(75,246)	--	--	(273,412)
--	(75,246)	--	--	(272,513)
--	(270,560)	--	1,225	(232,091)
--	416,127	33,299	10,308	1,535,568
$ --	$ 145,567	$ 33,299	$ 11,533	$ 1,303,477

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue			
	Road Use	Employee Benefits	Local Option Sales Tax	Police Pension
Cash Basis Fund Balances				
Restricted for:				
Streets	$ 426,776	$ --	$ --	$ --
Tax increment financing	--	--	--	--
Other purposes	--	351,872	194,144	140,286
Total cash basis fund balances	$ 426,776	$ 351,872	$ 194,144	$ 140,286

See accompanying independent auditor's report.

Special Revenue				
Fire Pension	Tax Increment Financing	Grant Matching	Police Forfeiture	Total
$ --	$ --	$ --	$ --	$ 426,776
--	145,567	--	--	145,567
--	--	33,299	11,533	731,134
$ --	$ 145,567	$ 33,299	$ 11,533	$ 1,303,477

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
INTERNAL SERVICE FUNDS

As of and for the year ended June 30, 2016

	Payroll Revolving	Medical Benefit Self Insurance
Operating receipts:		
Charges for service:		
Personal service costs from operating funds	$ 2,172,798	$ --
Operating disbursements:		
Governmental activities:		
Public safety	894,927	587,401
Public works	381,988	258,030
Culture and recreation	334,146	89,597
Community and economic development	19,915	--
General government	277,210	134,929
Business type activities	264,612	92,301
Total operating disbursements	2,172,798	1,162,258
Excess of receipts over disbursements	--	(1,162,258)
Non-operating receipts:		
Interest on investments	--	70
Excess (deficiency) of receipts over (under) disbursements	--	(1,162,188)
Transfers in	--	609,170
Change in cash balances	--	(553,018)
Cash balances beginning of year	--	553,018
Cash balances end of year	$ --	$ --

See accompanying independent auditor's report.

Cafeteria Plan	Total
$ 10,148	$ 2,182,946
6,975	1,489,303
--	640,018
--	423,743
--	19,915
1,356	413,495
1,356	358,269
9,687	3,344,743
461	(1,161,797)
--	70
461	(1,161,727)
--	609,170
461	(552,557)
4,668	557,686
$ 5,129	$ 5,129

CITY OF ATLANTIC, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Fire equipment	January 15, 2009	4.40-5.20%	$ 395,000
Refunding	October 26, 2010	0.70-1.85%	1,610,000
Corporate purpose	April 27, 2011	2.50-3.70%	3,100,000
Corporate purpose	March 28, 2012	1.10-2.50%	4,435,000
Corporate purpose	May 30, 2013	0.25-2.50%	2,720,000
Economic development	April 16, 2015	2.40-3.00%	405,000
Corporate purpose	April 16, 2015	2.40-3.00%	1,550,000
Corporate purpose	May 5, 2016	1.50-2.90%	4,660,000
Total General Obligation Bonds			
Tax Increment Financing (TIF) Revenue Bonds:			
North urban renewal business park	March 17, 2006	5.75%	255,000
Revenue Bonds:			
Local option sales tax	March 1, 2004	4.80%	1,000,000
Sewer	June 24, 2011	3.00%	11,707,000
Total Revenue Bonds			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 135,000	$ --	$ 45,000	$ 90,000	$ 6,075	$ 338
65,000	--	65,000	--	1,203	--
2,565,000	--	2,150,000	415,000	126,972	6,241
3,880,000	--	265,000	3,615,000	74,898	5,800
1,840,000	--	120,000	1,720,000	30,090	2,408
405,000	--	--	405,000	12,791	948
1,550,000	--	135,000	1,415,000	39,634	2,711
--	4,660,000	--	4,660,000	--	7,969
$10,440,000	$4,660,000	$2,780,000	$ 12,320,000	$ 291,663	$ 26,415
$ 32,500	$ --	$ 32,500	$ --	$ 1,869	$ --
$ 623,812	$ --	$ 50,061	$ 573,751	$ 29,943	$ 13,770
10,727,000	--	341,000	10,386,000	348,628	25,965
$11,350,812	$ --	$ 391,061	$ 10,959,751	$ 378,571	$ 39,735

CITY OF ATLANTIC, IOWA
BOND AND NOTE MATURITIES
June 30, 2016

Year ending June 30,	General Obligation Bonds			
	Fire Equipment Issued Jan. 15, 2009		Corporate Purpose Issued April 27, 2011	
	Interest Rates	Amount	Interest Rates	Amount
2017	4.50%	$ 45,000	2.625%	$ 205,000
2018	4.50%	45,000	2.625%	210,000
2019		--		--
2020		--		--
2021		--		--
2022		--		--
2023		--		--
2024		--		--
2025		--		--
2026		--		--
2027		--		--
2028		--		--
		$ 90,000		$ 415,000

Year ending June 30,	General Obligation Bonds		
	Corporate Purpose Issued May 5, 2016		
	Interest Rates	Amount	Total
2017	1.50%	$ 340,000	$ 1,120,000
2018	1.50%	175,000	960,000
2019	1.50%	290,000	950,000
2020	1.50%	330,000	1,000,000
2021	1.50%	355,000	1,045,000
2022	2.00%	365,000	1,045,000
2023	2.00%	375,000	1,070,000
2024	2.00%	380,000	1,085,000
2025	2.00%	385,000	1,125,000
2026	2.00%	385,000	890,000
2027	2.00%	215,000	825,000
2028	2.25%	225,000	365,000
2029	2.25%	225,000	225,000
2030	2.25%	230,000	230,000
2031	2.25%	195,000	195,000
2032	2.90%	60,000	60,000
2033	2.90%	60,000	60,000
2034	2.90%	60,000	60,000
2035	2.90%	10,000	10,000
2036		--	--
2037		--	--
		$4,660,000	$ 12,320,000

See accompanying independent auditor's report.

General Obligation Bonds

Corporate Purpose Refunding Issued March 28, 2012		Corporate Purpose Issued May 30, 2013		Economic Development Issued April 16, 2015		Corporate Purpose Issued April 16, 2015	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.00%	$ 305,000	1.00%	$ 80,000		$ --	2.00%	$ 145,000
1.10%	305,000	1.00%	80,000		--	2.00%	145,000
1.30%	340,000	1.00%	140,000	2.40%	25,000	2.00%	155,000
1.50%	325,000	1.05%	140,000	2.40%	50,000	2.00%	155,000
1.70%	320,000	1.25%	155,000	2.40%	55,000	2.25%	160,000
1.90%	305,000	1.50%	160,000	3.00%	55,000	2.15%	160,000
2.05%	305,000	1.75%	170,000	3.00%	60,000	2.15%	160,000
2.20%	305,000	1.90%	175,000	3.00%	60,000	3.00%	165,000
2.30%	325,000	2.00%	180,000	3.00%	65,000	3.00%	170,000
2.40%	325,000	2.15%	145,000	3.00%	35,000		--
2.50%	455,000	2.30%	155,000		--		--
	--	2.50%	140,000		--		--
	$3,615,000		$1,720,000		$ 405,000		$1,415,000

Revenue Bonds

Local Option Sales Tax Issued March 1, 2004		Sewer Revenue Bond Issued June 24, 2011		
Interest Rates	Amount	Interest Rates	Amount	Total
4.80%	$ 52,464	3.00%	$ 353,000	$ 405,464
4.80%	54,982	3.00%	364,000	418,982
4.80%	57,621	3.00%	376,000	433,621
4.80%	60,387	3.00%	388,000	448,387
4.80%	63,286	3.00%	401,000	464,286
4.80%	66,323	3.00%	414,000	480,323
4.80%	69,507	3.00%	427,000	496,507
4.80%	72,843	3.00%	441,000	513,843
4.80%	76,338	3.00%	455,000	531,338
	--	3.00%	470,000	470,000
	--	3.00%	485,000	485,000
	--	3.00%	501,000	501,000
	--	3.00%	518,000	518,000
	--	3.00%	534,000	534,000
	--	3.00%	552,000	552,000
	--	3.00%	570,000	570,000
	--	3.00%	588,000	588,000
	--	3.00%	607,000	607,000
	--	3.00%	627,000	627,000
	--	3.00%	647,000	647,000
	--	3.00%	668,000	668,000
	$ 573,751		$ 10,386,000	$ 10,959,751

CITY OF ATLANTIC, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	$ 3,572,896	$ 3,713,011	$ 3,591,699	$ 3,399,467
Tax increment financing	143,310	126,533	176,001	86,689
Local option sales tax	891,112	857,058	776,080	831,635
Other city tax	49,296	94,215	48,949	199,462
Licenses and permits	77,177	76,799	78,881	41,275
Use of money and property	92,793	128,230	77,437	64,033
Intergovernmental	1,134,236	1,517,057	1,264,235	2,087,557
Charges for service	326,607	316,676	323,523	48,828
Miscellaneous	1,146,086	929,925	1,043,110	479,894
Total	$ 7,433,513	$ 7,759,504	$ 7,379,915	$ 7,238,840
Disbursements:				
Operating:				
Public safety	$ 2,195,402	$ 1,879,863	$ 1,930,214	$ 2,048,567
Public works	1,535,893	1,412,781	1,323,582	1,421,162
Health and social services	6,483	--	--	--
Culture and recreation	1,015,811	848,433	718,912	737,974
Community and economic development	606,619	336,575	225,955	268,794
General government	596,390	620,884	579,605	579,927
Debt service	1,209,150	1,453,630	1,613,819	1,338,566
Capital projects	2,220,283	2,015,906	3,878,443	4,337,072
Total	$ 9,386,031	$ 8,568,072	$ 10,270,530	$ 10,732,062

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
$ 3,099,062	$ 2,841,706	$ 2,610,770	$ 2,848,499	$ 2,728,825	$ 2,563,716
86,256	123,056	124,486	109,725	247,992	238,660
812,825	724,158	739,713	774,698	674,076	726,447
194,936	137,681	130,595	132,693	130,483	116,357
23,467	57,657	55,387	46,329	28,908	26,704
72,917	56,908	65,980	115,318	159,049	171,874
1,248,563	3,392,059	1,739,197	1,625,672	2,745,491	4,085,700
60,848	51,088	50,054	39,586	37,908	38,493
708,977	711,878	351,292	738,535	276,775	476,955
$ 6,307,851	$ 8,096,191	$ 5,867,474	$ 6,431,055	$ 7,029,507	$ 8,444,906
$ 1,668,348	$ 1,563,057	$ 1,917,127	$ 1,929,247	$ 2,128,960	$ 1,951,333
1,243,574	1,270,811	1,444,231	1,516,690	1,460,714	1,131,099
12,543	10,349	9,700	11,993	9,998	--
786,566	734,533	505,058	539,893	518,574	553,493
245,333	294,740	206,676	210,406	382,197	256,151
573,544	512,557	514,114	521,550	505,944	499,782
1,289,596	1,013,557	1,057,967	1,094,777	1,974,011	1,100,134
3,508,919	2,742,110	1,843,733	1,389,972	2,033,635	3,475,138
$ 9,328,423	$ 8,141,714	$ 7,498,606	$ 7,214,528	$ 9,014,033	$ 8,967,130

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.
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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2017. Our report expressed an adverse opinion and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atlantic's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atlantic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 that a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. 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.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 16-I-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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.

Responses to Findings

The City of Atlantic's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Atlantic's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grosewold, Berr, Kyhnn & Co. P.C.

Atlantic, Iowa
February 7, 2017

CITY OF ATLANTIC, IOWA

Schedule of Findings and Responses

Year ended June 30, 2016

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

16-I-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. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF ATLANTIC, IOWA

Schedule of Findings and Responses

Year ended June 30, 2016

PART II: Other Findings Related to Statutory Reporting

16-II-A Certified Budget: Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." This appears to be due to employee oversight.

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

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

16-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

16-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

PART II: Other Findings Related to Statutory Reporting - Continued

16-II-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Hot mix asphalt Cold patch asphalt	$ 53,621
Chris Dvorak, Executive Assistant/Dispatch for Police Department, Husband and Son are owners of Dvorak Tire and Service	Vehicle tires and service	$ 12,928

The hot mix asphalt and cold patch asphalt transactions do not appear to represent conflicts of interest since they were competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions with Dvorak Tire and Service may represent a conflict of interest since total transactions were more than $2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation: The City should consult legal counsel to determine the disposition of this matter.

16-II-E 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 that the coverage is adequate for current operations.

16-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

16-II-G Deposits and Investments: We noted 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.

16-II-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

PART II: Other Findings Related to Statutory Reporting - Continued

16-II-I 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 is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.

16-IV-J Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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