

CITY OF ATLANTIS, FLORIDA

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

CITY COUNCIL

MANUEL A. FERNANDEZ..... MAYOR - COUNCILMAN
FRED FURTADO VICE MAYOR - COUNCILMAN
DAVID KINTZ MAYOR PRO TEM - COUNCILMAN
MICHAEL C. DAHLGREN TREASURER - COUNCILMAN
CATHERINE HIGGINS ASSISTANT TREASURER - COUNCILWOMAN

CITY MANAGER

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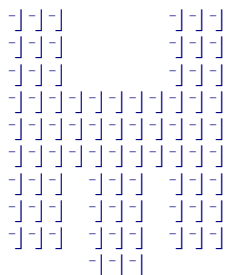
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Atlantis, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Atlantis, Florida, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Atlantis, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Atlantis, Florida as of September 30, 2009, and the respective changes in financial position, and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, on our consideration of the City of Atlantis, Florida'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.

The management's discussion and analysis, budgetary comparison information, and schedules of defined benefit trust on pages 2 through 9 and 38 through 42, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Holyfield & Thomas, LLC

West Palm Beach, Florida
January 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Atlantis, Florida (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets at September 30, 2009 were \$8.5 million. Of this amount, \$4.1 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Governmental net assets were \$5.1 million.
- The total revenues from all sources were \$5.4 million.
- The total cost of all City programs was \$5.5 million.
- In the government-wide financials, the City's governmental activity expenses exceeded revenues by \$89,000; for business-type activities revenues exceeded expenses by \$53,000.
- Total revenues in the general fund financial statements exceeded total expenditures by \$79,000, resulting in a 3% increase in fund balance.
- Total revenues in the proprietary fund financial statements exceeded total expenses by \$53,000, resulting in a 1.5% increase in fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,466,000, or approximately 60% of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are:

- (1) Government-wide financial statements that include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole.
- (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements.
- (3) Notes to the financial statements, which provide more information about amounts reported in the government-wide and fund financial statements as well as information about the City as a whole.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes therein. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, protective inspections, and physical environment. Property taxes, franchise taxes, building permit fees, sales tax, and grants from other governments finance most of these activities.
- Business type activities – The City's water and sewer utility is reported in this category. The City charges a fee to customers to cover the cost of the services provided.

REPORTING THE CITY'S FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the individual funds – not the City as a whole. The City's three kinds of funds; *governmental*, *proprietary* and *fiduciary* use different accounting approaches as explained below.

- *Governmental funds* – Most of the City's basic services are reported in a governmental fund. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* accounting method, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City reports one governmental fund – the general fund. The general fund financial statements can be found on pages 13-16 of this report.
- *Proprietary funds* – Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's only proprietary fund is the Water and Sewer Utility fund, which charges customers for the services it provides. The basic proprietary fund financial statements can be found on pages 17-19 of this report.
- *Fiduciary funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These include the Police Officer's Pension Fund and the City's 457 Deferred Compensation Plan. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20-21 of this report. However, since the City's Deferred Compensation Plan is qualified, it is not required to be presented in these financial statements and is not included in the fiduciary fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets minus total liabilities equaled \$8.5 million in net assets at the close of the most recent fiscal year.

The largest portion of the City's net assets (49%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Another portion (51%) reflects the City's investment in capital assets (e.g., land, buildings, streets, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this

debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Atlantis
Net Assets
(In Thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u>
Assets:			
Current and other assets	\$ 2,810	\$ 2,974	\$ 5,784
Capital assets	<u>2,592</u>	<u>2,062</u>	<u>4,654</u>
Total assets	<u>\$ 5,402</u>	<u>\$ 5,036</u>	<u>\$ 10,438</u>
Liabilities:			
Long-term debt outstanding	\$ -	\$ 714	\$ 714
Other liabilities	<u>345</u>	<u>848</u>	<u>1,193</u>
Total liabilities	<u>345</u>	<u>1,562</u>	<u>1,907</u>
Net Assets:			
Invested in capital assets, net of debt	2,592	1,041	3,633
Restricted	-	815	815
Unrestricted	<u>2,465</u>	<u>1,618</u>	<u>4,083</u>
Total net assets	<u>\$ 5,057</u>	<u>\$ 3,474</u>	<u>\$ 8,531</u>

At the end of the fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole. There was a decrease of \$37,000 in the City's net assets during the current fiscal year.

Governmental Activities

Governmental activities decreased the City's net assets by \$90,000. Key elements of this increase are as follows:

City of Atlantis Changes in Net Assets (In Thousands)

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 242	\$ 1,288	\$ 1,530
Operating grants and contributions	32	-	32
Capital grants and contributions	1	-	1
General revenues:			
Property taxes	2,828	-	2,828
Sales and use taxes	133	-	133
Franchise fees	504	-	504
Gas tax	93	-	93
Occupational licenses	73	-	73
Other taxes and shared revenues	60	-	60
Investment earnings	38	36	74
Fundraising and donations	69	-	69
Miscellaneous	35	-	35
Gain on disposal of assets	2	5	7
Interfund transfers	<u>100</u>	<u>(100)</u>	<u>-</u>
Total revenues	<u>4,210</u>	<u>1,229</u>	<u>5,439</u>
Expenses:			
Program expenses:			
General government	664	-	664
Law enforcement	2,344	-	2,344
Fire control	507	-	507
Protective inspections	72	-	72
Physical environment	713	-	713
Interest on long-term debt	-	48	48
Water and sewer utility	<u>-</u>	<u>1,128</u>	<u>1,128</u>
Total expenses	<u>4,300</u>	<u>1,176</u>	<u>5,476</u>
(Decrease) increase in net assets	(90)	53	(37)
Net assets – October 1, 2008	<u>5,147</u>	<u>3,421</u>	<u>8,568</u>
Net assets – September 30, 2009	<u>\$ 5,057</u>	<u>\$ 3,474</u>	<u>\$ 8,531</u>

The City's programs include General Government, Public Safety (law enforcement and fire control), Protective Inspections, and Physical Environment. Each program's net cost (total cost, less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

City of Atlantis
Governmental Activities
(In Thousands)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 664	\$ 622
Public safety:		
Law enforcement	2,344	2,125
Fire control	507	507
Protective inspections	72	58
Physical environment	<u>713</u>	<u>713</u>
	<u>\$ 4,300</u>	<u>\$ 4,025</u>

The cost of all governmental activities this year was \$4.3 million. As shown on the Statement of Activities, \$.3 million of this cost was paid by those who directly benefited from the programs or from grants and contributions, with the remaining amount financed through general revenues and related income.

Business Type Activities

Net assets of the Proprietary Fund (Water and Sewer Utility) at September 30, 2009, were \$3.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.2 million. As shown in the Statement of Activities, customers paid \$1.3 million and investment income was \$36 thousand, leaving net revenue of \$53 thousand.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The general fund is the chief operating fund of the City. The focus of the general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$2.466 million, an increase of \$79,000 from the prior year. The entire ending fund balance is unreserved and available for spending at the government's discretion. However, the board has designated \$300,000 for upgrades to the radio system. It is projected that the radio project will commence within the next 18 months. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 59% of total general fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in the performance of City functions or programs. Capital assets include equipment, buildings, land, park facilities, etc.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$4.7 million (net of accumulated depreciation).

City of Atlantis Capital Assets (In Thousands)

	Governmental Activities	Business Activities	Total
Land	\$ 241	\$ 132	\$ 373
Streets	4,552	-	4,552
Buildings and improvements	1,359	245	1,604
Improvements other than buildings	621	3,463	4,084
Furniture, fixtures and equipment	915	107	1,022
Parks	399	-	399
Vehicles	267	53	320
Total assets	8,354	4,000	12,354
Less accumulated depreciation	5,762	1,937	7,699
Net Assets	\$ 2,592	\$ 2,063	\$ 4,655

Additional information on the City's capital assets can be found in Note 5 of this report.

Debt

At the end of the current fiscal year, the City had total debt of \$1.0 million, all of which was in the enterprise fund. In 2002, the City renegotiated terms of its bonds, resulting in an interest rate decrease from 5.3% to 4.0% and reducing the debt's maturity date from September 2018 to September 2012.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In its consideration of the City's budget for 2009-2010, the City Council and management considered the current tax and real estate market. The city's taxable value fell again from \$473 million, a reduction of 8%, bringing the two year reduction to 14.5%. The millage rate set for 2009-2010 left the ad valorem taxes steady. State shared revenues continue to decline. Economic news in late 2009 shows continued recessionary factors with some signs of stabilization. All sectors of the economy have been affected; job data continue to be weak. At the local level, spending continues to be restrained. In 2008 the State Board of Administration froze \$415,971 of the city's investment in the fund. At September 30, 2008, \$130,105 remained frozen in the Pool B account. During fiscal 2009, an additional \$81,621 was liquidated leaving \$48,484 awaiting maturity. Interest income from all sources was at historic lows.

Capital projects for FY 2010 are limited to resurfacing the tennis and basketball courts. Management has undertaken a review of operating costs. In 2010, the city will make application for federal stimulus dollars in the form of an energy conservation grant. An energy audit will take place in conjunction with these activities. As we move into 2010 and beyond we will continue to look for cost control measures and revenue opportunities. Management is confident that the economy will stabilize and overall growth will return.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 the City Manager, at the City of Atlantis, 260 Orange Tree Drive, Atlantis, Florida 33462.

As of September 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,232,990	\$ 1,376,973	\$ 3,609,963
Investments	546,000	596,217	1,142,217
Receivables (net)	-	180,321	180,321
Supplies and prepaid expenses	31,609	5,000	36,609
Restricted assets:			
Cash and cash equivalents	-	815,110	815,110
Capital assets:			
Nondepreciable:			
Land	240,622	132,000	372,622
Depreciable:			
Streets	4,552,478	-	4,552,478
Buildings and improvements	1,359,300	245,104	1,604,404
Improvements other than buildings	508,844	3,461,961	3,970,805
Furniture, fixtures and equipment	914,865	106,812	1,021,677
Park development	398,718	-	398,718
Vehicles	267,083	52,631	319,714
Other	111,651	1,072	112,723
Less: accumulated depreciation	<u>(5,761,846)</u>	<u>(1,937,165)</u>	<u>(7,699,011)</u>
Total assets	<u>\$ 5,402,314</u>	<u>\$ 5,036,036</u>	<u>\$ 10,438,350</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 272,827	\$ 201,934	\$ 474,761
Accrued interest payable	-	3,152	3,152
Deferred revenue	68,775	238,825	307,600
Deposits	3,400	96,602	100,002
Revenue bond payable, current	-	307,465	307,465
Noncurrent liabilities:			
Revenue bond payable, non-current	-	714,379	714,379
Total liabilities	<u>345,002</u>	<u>1,562,357</u>	<u>1,907,359</u>
NET ASSETS			
Invested in capital assets (net of related debt)	2,591,715	1,040,571	3,632,286
Restricted for debt service & future utility expenses	-	815,110	815,110
Unrestricted	<u>2,465,597</u>	<u>1,617,998</u>	<u>4,083,595</u>
Total net assets	<u>5,057,312</u>	<u>3,473,679</u>	<u>8,530,991</u>
Total liabilities and net assets	<u>\$ 5,402,314</u>	<u>\$ 5,036,036</u>	<u>\$ 10,438,350</u>

See accompanying notes to financial statements.

CITY OF ATLANTIS

For the Year Ended September 30, 2009

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 663,650	\$ 41,741	\$ -
Public safety:			
Law enforcement	2,343,790	185,858	31,930
Fire control	506,803	-	-
Protective inspections	72,009	13,914	-
Physical environment	713,177	-	-
Total governmental activities	<u>4,299,429</u>	<u>241,513</u>	<u>31,930</u>
Business-type activities:			
Water and sewer utility	1,128,624	1,288,619	-
Interest on long term debt	47,814	-	-
Total business-type activities	<u>1,176,438</u>	<u>1,288,619</u>	<u>-</u>
Total primary government	<u><u>\$ 5,475,867</u></u>	<u><u>\$ 1,530,132</u></u>	<u><u>\$ 31,930</u></u>

General revenues:

Taxes:

- Property taxes
- Sales and use taxes
- Franchise fees
- Gas tax
- Occupational licenses
- Other taxes and shared revenues

Investment earnings

Fundraising and donations

Miscellaneous

Gain on disposal of assets

Interfund transfers

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

<u>Revenues</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>		
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (621,909)	\$ -	\$ (621,909)
1,000	(2,125,002)	-	(2,125,002)
-	(506,803)	-	(506,803)
-	(58,095)	-	(58,095)
-	(713,177)	-	(713,177)
<u>1,000</u>	<u>(4,024,986)</u>	<u>-</u>	<u>(4,024,986)</u>
-	-	159,995	159,995
-	-	(47,814)	(47,814)
-	-	112,181	112,181
<u>\$ 1,000</u>	<u>(4,024,986)</u>	<u>112,181</u>	<u>(3,912,805)</u>
	2,827,403	-	2,827,403
	133,294	-	133,294
	504,381	-	504,381
	93,353	-	93,353
	73,031	-	73,031
	59,993	-	59,993
	38,194	35,967	74,161
	68,472	-	68,472
	35,154	-	35,154
	2,300	4,613	6,913
	100,000	(100,000)	-
	<u>3,935,575</u>	<u>(59,420)</u>	<u>3,876,155</u>
	(89,411)	52,761	(36,650)
	<u>5,146,723</u>	<u>3,420,918</u>	<u>8,567,641</u>
	<u>\$ 5,057,312</u>	<u>\$ 3,473,679</u>	<u>\$ 8,530,991</u>

See accompanying notes to financial statements.

As of September 30, 2009

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,232,990
Investments	546,000
Receivables	-
Supplies and prepaid expenses	31,609
Total assets	<u>\$ 2,810,599</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 272,827
Deferred revenue	68,775
Deposits	3,400
Total liabilities	<u>345,002</u>
Fund balance:	
Undesignated	2,165,597
Designated for technology	300,000
Total unreserved fund balance	<u>2,465,597</u>
Total liabilities and fund balances	<u>\$ 2,810,599</u>

See accompanying notes to financial statements.

As of September 30, 2009

Total governmental fund balances	\$ 2,465,597
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost and accumulated depreciation are reported in the government-wide statement of net assets.	
Cost of assets	8,353,561
Accumulated depreciation	<u>(5,761,846)</u>
Total net assets	<u><u>\$ 5,057,312</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2009

	<u>General Fund</u>
REVENUES	
Taxes	\$ 3,425,137
Licenses and permits	128,686
Intergovernmental revenue	343,955
Fines and forfeitures	68,120
Miscellaneous revenue	144,120
Interfund transfers	100,000
Total revenues	<u>4,210,018</u>
EXPENDITURES	
Current:	
General government:	
Legislative	57,000
Executive	288,930
Financial	12,250
Legal services	53,364
City clerk	91,201
Maintenance and supervision	111,668
Public safety:	
Law enforcement	2,293,771
Fire control	506,803
Protective inspections	72,009
Physical environment	643,828
Total expenditures	<u>4,130,824</u>
Net change in fund balance	79,194
Fund balance, October 1, 2008	<u>2,386,403</u>
Fund balance, September 30, 2009	<u><u>\$ 2,465,597</u></u>

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds \$ 79,194

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets 66,155

Current year depreciation (234,760)

Change in net assets \$ (89,411)

See accompanying notes to financial statements.

As of September 30, 2009

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 1,376,973
Restricted	815,110
Investments	596,217
Receivables, net	180,321
Supplies and prepaid expenses	5,000
Total current assets	<u>2,973,621</u>
Noncurrent assets:	
Property, plant and equipment, net	<u>2,062,415</u>
Total assets	<u><u>\$ 5,036,036</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 201,934
Interest payable	3,152
Deferred revenue	238,825
Deposits	96,602
Revenue bond payable - current	307,465
Total current liabilities	<u>847,978</u>
Noncurrent liabilities:	
Revenue bond payable - non current	<u>714,379</u>
Total liabilities	<u>1,562,357</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,040,571
Restricted for debt service and future utility expense	815,110
Unrestricted	1,617,998
Total net assets	<u>3,473,679</u>
Total liabilities and net assets	<u><u>\$ 5,036,036</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2009

	<u>Enterprise Fund</u>
Operating revenues:	
Water income	\$ 741,910
Sewer income	518,326
Other operating income	28,383
Total operating revenues	<u>1,288,619</u>
Operating expenses:	
Water utility services	318,412
Sewer services	339,165
Water/sewer combination services	336,199
Depreciation	134,848
Total operating expenses	<u>1,128,624</u>
Operating income	<u>159,995</u>
Nonoperating revenues (expenses):	
Investment income	
Interest income	47,591
Realized and changes in unrealized gain (loss)	(7,011)
Interest expense	(47,814)
Interfund transfers	(100,000)
Total nonoperating revenues (expenses)	<u>(107,234)</u>
Change in net assets	52,761
Net assets, October 1, 2008	<u>3,420,918</u>
Net assets, September 30, 2009	<u><u>\$ 3,473,679</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2009

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,249,320
Cash payments to suppliers for goods and services	(735,717)
Cash payments to employees for services	(186,458)
Other revenues	28,383
Net cash provided by operating activities	<u>355,528</u>
Cash flows from capital and related financing activities:	
Bond principal payment	(295,527)
Interest paid on debt	(49,769)
Acquisition of capital assets	(23,165)
Interfund transfers	(100,000)
Net cash used by capital and related financing activities	<u>(468,461)</u>
Cash flows from investing activities:	
Interest received on investments	56,512
Proceeds from sale of investments	675,789
Proceeds from sale of property, plant and equipment	4,613
Net cash provided by investing activities	<u>736,914</u>
Net decrease in cash and cash equivalents	623,981
Cash and cash equivalents, beginning of year	<u>1,568,102</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,192,083</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 159,995
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	134,847
Change in assets and liabilities:	
Increase in accounts receivable	(3,217)
Increase in accounts payable and accrued expenses	71,601
Decrease in deferred revenue	(3,885)
Decrease in deposits	(3,813)
Net cash provided by operating activities	<u><u>\$ 355,528</u></u>

See accompanying notes to financial statements.

As of September 30, 2009

	Pension Trust Fund
ASSETS	
Investments, at fair value:	
Cash and cash equivalents	\$ 78,005
Mutual funds	<u>1,158,711</u>
Total investments	1,236,716
LIABILITIES	<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 1,236,716</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2009

	<u>Pension Trust Fund</u>
ADDITIONS:	
Additions to net assets attributed to:	
Investment income:	
Interest and dividends	<u>\$ 53,273</u>
Contributions:	
City of Atlantis	<u>21,526</u>
Total contributions	<u>21,526</u>
TOTAL ADDITIONS	<u>74,799</u>
DEDUCTIONS:	
Deductions from net assets attributed to:	
Net depreciation in fair value of investments	36,304
Benefits paid to participants	126,036
Administrative expenses	10,257
Investment expenses	<u>30</u>
TOTAL DEDUCTIONS	<u>172,627</u>
CHANGE IN NET ASSETS	(97,828)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>1,334,544</u>
End of year	<u><u>\$ 1,236,716</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies

The City of Atlantis, Florida (“the City”) was chartered on June 19, 1959, under the provisions of the State of Florida. The City operates under the Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. As required, the City follows Governmental Accounting Standards Board (GASB) No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The following is a summary of the more significant policies:

The Reporting Entity

These basic financial statements include all of the funds relevant to the operations of the City of Atlantis. The financial statements presented herein do not include agencies which have been formed under applicable state laws as separate and distinct units of government apart from the City of Atlantis.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the Atlantis Utilities Department are included in the accompanying financial statements. The operations of the Atlantis Utilities Department are reported in the water and sewer system fund, an enterprise fund.

Based on the application of the criteria set forth by the GASB, the City is not aware of any entity that would consider the City to be a component unit.

Government-Wide and Fund Financial Statements

- **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, Government-Wide and Fund Financial Statements, continued

- Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The various funds are grouped in the fund financial statements as follows:

- Governmental Fund Type

The City reports only one governmental fund. The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the City except those required to be accounted for in another fund.

- Proprietary Fund Type

The City reports only one proprietary fund – an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting policies of the enterprise fund conform to generally accepted accounting principles applicable to commercial businesses and Financial Accounting Standards Board (FASB) pronouncements are applied accordingly. The City's water and sewer system fund is used to account for the activities related to the water and sewer utility.

Fiduciary Fund Types

The City reports the following fiduciary funds:

- Pension Trust Fund

The pension trust fund accounts for assets held by the City in a trustee capacity for the City of Atlantis Police Officers' Pension Fund that remain in the defined benefit plan held by the City. The pension trust fund is accounted for essentially the same as the proprietary fund since capital maintenance is critical.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements and the agency fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The proprietary fund and pension trust fund are accounted for using the accrual basis of accounting and the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the balance sheet. The proprietary fund operating statement presents increases (revenues) and decreases (expenses) in net total assets. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled utility services receivables of the water and sewer system fund are recorded at year-end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer system fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has elected to not apply guidance issued by the FASB, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, continued*Budgets and Budgetary Accounting*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund as well as for the Enterprise Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc).
- c. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- d. Normally, the budget amounts shown in the budgetary comparison schedule represent both the original and the final authorized amounts as revised during the year. However, this year the budget was not revised, and therefore, the original budget is compared to the actual results.

As required by GASB Statement No. 34, a budgetary comparison schedule is presented for the general fund. Budgetary comparison schedules are not required, and have not been presented for the enterprise fund.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as in money market accounts and in highly liquid investments with an original maturity of three months or less. For purposes of the statement of cash flows, the Proprietary Fund Type (Enterprise – Utility) considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Investments

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City may invest in direct debt securities of the United States unless law expressly prohibits such an investment. The pension trust fund is also authorized to invest in various instruments in accordance with the State of Florida Municipal Police Officers and Firefighters Retirement Law. As of the report date, the pension trust investments consisted of mutual funds. The pension trust investments are carried at market value, and are uninsured and unregistered at September 30, 2009.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, Investments continued

In computing realized gain or loss, investments are stated at amortized cost determined on a FIFO basis.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Also, realized gains and losses on investments that have been held in more than one fiscal year, and sold in the current year, were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Receivables

Receivables in the Proprietary Fund Type (Enterprise – Utility) consist of water and sewer bills owed by City residents and commercial customers and financed water connection charges. The City has no significant concentration in accounts receivable that, if uncollected, would materially affect the financial statements. Furthermore, there is no provision for doubtful accounts.

Vacation, Holiday and Sick Leave

All full-time and part-time employees who work a regular schedule shall be granted annual leave with pay. The schedule is graded based on full-time or part-time status and on the number of years worked. For example, a full-time time employee earns twelve days of vacation after twelve months of employment.

Vacation can be carried over from one year to the next. However, employees must use two thirds of accrued vacation by the end of the fiscal year and are able to accrue one third for use in the subsequent fiscal year or for payout upon termination. Termination payments are limited to a maximum of 240 hours for employees with more than 1 but less than 20 years of service and 500 hours for employees with 20 or more years of service. Furthermore, in the event of involuntary termination the accrued vacation will be forfeited.

Ten holidays are paid each year for all full-time employees and part-time employees who work a regular schedule.

Sick leave will be earned at the rate of one day per month not to exceed twelve days per fiscal year for all full-time employees. Sick leave will begin to accrue when the employee has been in service of the City for six months. Employees can accrue 100% of unused sick leave per fiscal year with no maximum. Termination payments are limited to a maximum of 50% of accrued sick time for employees with more than 5, but less than 10 years of service, 480 hours, plus ½ of the remaining time up to 960 hours for employees with more than 10, but less than 25 years of service, and 100% of accrued sick time up to 960 hours for employees with more than 25 years of service. Employees with less than 5 years of service are not eligible for sick leave payout.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, continued

Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of donation.

Capital assets of the enterprise fund are capitalized in the fund itself. The valuation basis for enterprise fund capital assets are the same as those used for general capital assets.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings and improvements	30 years
Improvements other than buildings	10 - 30 years
Furniture and equipment	3 - 10 years
Streets	30 years

Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets

Equity in the government-wide statement of net assets is displayed in three categories: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. Net assets invested in capital assets net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

For the Year Ended September 30, 2009

1. Summary of Significant Accounting Policies, continued*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved fund balance amounts that are reported as designations of fund balances represent tentative plans for financial resource utilization in a future period. The following is a description of the reserves and designations used by the City.

Designated for technology – Designated by the Council for future upgrades to the police radio system.

Held in trust for employees' pension benefits – Restricted for payment of retirement benefits.

Revenue Recognition - Property Taxes

The City follows GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that revenues pertaining to nonexchange transactions be recognized when they become both available and measurable. The City's application of this statement has had no effect on the reported balances in the financial statements.

Property taxes attach as an enforceable lien on property as of January 1. Tax rolls are completed and become measurable in October. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 became delinquent April 1 of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Pension Plan

In the September 30, 2005 fiscal year, a decision was made to provide enhanced benefits to its employees by transferring its pension plans for police officers and general employees to the Florida Retirement System (FRS). FRS is a consolidated statewide retirement system for Florida's public employees administered by the Division of Retirement of the State of Florida.

Also in that year, the police officers were given a period of time to opt out of the plan, take a lump sum payment, and join FRS. Only two active officers did not opt out. For those officers and other non-active participants, the existing plan remains with the City and will be terminated upon final payment to the last remaining participant or beneficiary. The Plan has no active participants.

For those non-civilian public safety employees that decided to stay in the City plan, they are covered under a defined benefit plan administered by an independent Board of Trustees. The Police Officers' Pension Fund is accounted for by the City as a separate fiduciary fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For the Year Ended September 30, 2009**2. Deposits and Investments***Deposits*

All of the City's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. At year-end, the City's deposits were covered by federal depository insurance.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at September 30, 2009. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 – Uncollateralized.

Cash and cash equivalents on deposit, categorized by level of risk, are as follows:

	Category			Total
	3	2	3	
	With Banks	With State Board of Administration	With Brokers	
General Fund (unrestricted)	<u>\$ 1,362,507</u>	<u>\$ 6,883</u>	<u>\$ 863,600</u>	<u>\$ 2,232,990</u>
Enterprise Fund (Utility)				
Unrestricted	<u>\$ 554,132</u>	<u>\$ 8,050</u>	<u>\$ 814,791</u>	<u>\$ 1,376,973</u>
Restricted for:				
Renewal and replacement	50,000	-	-	50,000
Water capacity	351,263	-	-	351,263
Sewer capacity	78,420	-	-	78,420
Customer deposits and prepayments	<u>335,427</u>	<u>-</u>	<u>-</u>	<u>335,427</u>
Sub-total restricted	<u>815,110</u>	<u>-</u>	<u>-</u>	<u>815,110</u>
Total Enterprise Fund	<u>\$ 1,369,242</u>	<u>\$ 8,050</u>	<u>\$ 814,791</u>	<u>\$ 2,192,083</u>
Pension trust (restricted)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,005</u>	<u>\$ 78,005</u>

For the Year Ended September 30, 2009

2. Deposits and Investments, Deposits, continued

Deposits with the State Board of Administration (SBA) are in an external investment pool that invests principally in Treasury Bills, Treasury Notes, Commercial Paper, and other approved short-term investments. In accordance with Government Accounting Standards Board Standard No. 31, the pool records investments at amortized cost, and securities lending cash collateral at fair value, based on quoted prices. The pool examines the difference between amortized cost and fair value monthly, and is directed to take specific action if the two values differ by more than 0.5%. As of June 30, 2008, (the date of the most recent SBA financial statements) the ratio of amortized cost to fair value was 99.79%. Amortized cost is also used to determine the value of participant's shares sold and redeemed. Because the difference between amortized cost and fair value is historically negligible (as it was at June 30, 2008), the amounts illustrated approximate fair value. The pool does not require any local government or State agency to participate. Furthermore, the Pool is governed by the Florida Administrative Code, and is audited by the Office of the Auditor General. A copy of the SBA's financial statements is available from the SBA, State of Florida.

Deposits with brokers are invested in money market accounts that are not insured.

Investments

The City is authorized to invest its funds as follows:

1. Interest-bearing checking or savings accounts in qualified public depositories, as defined in Florida State Statute 280.02;
2. Interest-bearing time deposits in qualified public depositories, as defined in Florida State Statute 280.02;
3. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida State Statute 163.01;
4. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
5. Direct obligations of the United States Treasury;
6. Federal agencies and instrumentalities;
7. Securities of, or interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. sections 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
8. Other investments authorized by law or by ordinance by the City.

For the Year Ended September 30, 2009**2. Deposits and Investments, Investments, continued**

Investments of the Police Officers' Pension Fund can consist of every kind of investment except for: options, futures, municipal bonds, non-investment grade bonds, foreign securities, precious metals, private placements, short sales, purchases on margin, real estate, and partnerships.

Investments, net of accrued interest receivable of \$5,795 for the City and \$5,367 for the Utility, are classified as category 2, and are listed as follows:

	Total Cost			Total Market Value		
	City	Enterprise Fund (Utility)	Fiduciary Fund (Pension Trust)	City	Enterprise Fund (Utility)	Fiduciary Fund (Pension Trust)
Certificates of deposit	\$ 512,000	\$ 560,000	\$ -	\$ 512,000	\$ 560,000	\$ -
SBA Pool B	51,362	6,178		28,205	30,850	
Mutual funds	-	-	1,370,623	-	-	1,158,711
Total	<u>\$ 563,362</u>	<u>\$ 516,178</u>	<u>\$1,370,623</u>	<u>\$ 540,205</u>	<u>\$ 590,850</u>	<u>\$1,158,711</u>

The investments of the utility are restricted for debt service and future water connections. The investments of the pension trust are restricted for payment of retirement benefits.

Government wide the City holds \$14,932 of State Board of Administration (SBA) Fund A (LGIP) and \$57,540 and \$59,055, cost and market value respectively, of Fund B. Fund A is presented in cash and cash equivalents and Fund B is presented in investments. Fund A is rated by Standard and Poors. The current rating is AAAM. Fund B is not rated by any nationally recognized statistical rating agency. The weighted average days to maturity (WAM) of Fund A at September 30, 2009 is 33 days. The weighted average life (WAL) of Fund B at September 30, 2009 was 6.69 years. As of September 30, 2009 Fund B remains frozen. There has been no correspondence from the SBA to the date of this audit report as to when Fund B will be unfrozen. Disbursements from Fund B are being made as the investments mature.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill obligations. The City mitigates these risks in the general government and the utility by investing primarily in certificates of deposit and holding them until their maturity. As stated above Fund A is rated AAAM by Standard and Poors. Although Fund B has no rating, the City has recognized an unrealized loss of \$48,484 on these investments and these investments compose only approximately 5% of the general government and utility's investments.

For the Year Ended September 30, 2009

3. Pension Plan

The City has one single-employer pension plan as of September 30, 2009. The defined benefit pension plan covers full-time sworn police officers who did not elect to participate in the Florida Retirement System (FRS).

The valuation information presented on the following page represents the most recent valuation performed as of October 1, 2008.

A. Police Officers' Pension Fund

The City of Atlantis Police Officers' Pension Fund as established October 18, 1989 by the authority of City Ordinance 205.

- Annual benefit - 2.5% of Average Final Compensation (AFC) times Credited Service prior to January 1, 2005 plus 3.0% of AFC multiplied by Credited Service on or after January 1, 2005. AFC is the average salary for the best five years preceding retirement or termination.
- Other benefits - Plan also provides for early retirement, disability retirement and death benefits.
- Vesting - 100% after ten years of credited service at the earlier of age 55 and 6 years of service or 25 years of service, regardless of age.
- Employee contribution - 0.5% of salary.
- City contributions - City contributions are based upon actuarially determined amounts, which, together with earnings and employee contributions are sufficient to fund the plan. It is the City's policy to fund the actuarially determined contribution.

The following information is from the most recent actuarial valuation report prepared by Foster & Foster, Inc.

- a. Valuation Date – October 1, 2008.
- b. Actuarial Assumptions - The discount rate and projected salary increases used in the calculation of the Pension Benefit Obligation are the same as those used for funding purposes. The more significant assumptions are:
 - 1. Rate of return on investment of present and future assets - 8% compounded annually, net of investment related expenses
 - 2. Projected salary increases due to inflation and merit or seniority - 7.5%.
- c. Number of Members Included in the Valuations

1. Active members	N/A
2. Inactive members	7
3. Currently receiving benefits	7

For the Year Ended September 30, 2009

3. Pension Plan, Police Officers' Pension Fund, continued

Note: During the 2008 plan year the last remaining active participant began receiving benefits, which brings the total participants receiving benefits to seven, and active members to zero.

d. Actuarial present value of accumulated plan benefits	
1. Vested benefits	
a) Inactives	\$ 1,516,393
b) Actives	-
c) Member contributions	<u>-</u>
d) Total	1,516,393
2. Non-vested benefits	<u>-</u>
3. Total actuarial present value of accumulated plan benefits	<u>\$ 1,516,393</u>
e. Changes in the actuarial present value of accumulated plan benefits	
1. Total value at last valuation	<u>\$ 1,231,408</u>
2. Increase (decrease) during the period attributable to	
a) Plan amendment	-
b) Change in actuarial assumptions	-
c) New accrued benefits	267,803
d) Benefits paid	(173,084)
e) Interest	<u>190,266</u>
f) Net decrease	<u>284,985</u>
3. Total value at end of period	<u>\$ 1,516,393</u>
f. Market value of assets at October 1, 2008	<u>\$ 1,334,544</u>

Additional information obtained from this October 1, 2008 valuation is provided as Required Supplementary Information following these notes to financial statements. Furthermore, the Police Officer's Pension Plan has stand-alone plan reports for the most recent and prior year's valuations, and has separately issued financial statements for the most recent and prior year's fiscal periods. These reports and financial statements are available from the City Manager's office.

For the Year Ended September 30, 2009**4. Capital Assets**

Capital assets activity for the year ended September 30, 2009, was as follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2009</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 240,622	\$ -	\$ -	\$ 240,622
Total non-depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,622</u>
Depreciable Assets:				
Streets	4,552,478	-	-	4,552,478
Buildings and improvements	1,359,300	-	-	1,359,300
Land improvements	143,347	-	-	143,347
Lighting	111,651	-	-	111,651
Park development	361,794	36,924	-	398,718
City entrances	365,497	-	-	365,497
Vehicles	258,839	27,843	(19,599)	267,083
Furniture and equipment	914,738	1,388	(1,261)	914,865
Total depreciable assets	<u>8,067,644</u>	<u>66,155</u>	<u>(20,860)</u>	<u>8,112,939</u>
Less accumulated depreciation	<u>(5,547,946)</u>	<u>(234,760)</u>	<u>20,860</u>	<u>(5,761,846)</u>
Governmental activities capital assets, net	<u>\$ 2,760,320</u>	<u>\$ (168,605)</u>	<u>\$ -</u>	<u>2,591,715</u>
	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2009</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 132,000	\$ -	\$ -	\$ 132,000
Total non-depreciable assets	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>132,000</u>
Depreciable Assets:				
Buildings and improvements	245,104	-	-	245,104
Improvements other than buildings	3,461,961	-	-	3,461,961
Landscaping	1,072	-	-	1,072
Furniture, fixtures and equipment	143,360	23,165	(7,082)	159,443
Total depreciable assets	<u>3,851,497</u>	<u>23,165</u>	<u>(7,082)</u>	<u>3,867,580</u>
Less accumulated depreciation	<u>(1,809,399)</u>	<u>(134,848)</u>	<u>7,082</u>	<u>(1,937,165)</u>
Business-type activities capital assets, net	<u>\$ 2,174,098</u>	<u>\$ (111,683)</u>	<u>\$ -</u>	<u>\$ 2,062,415</u>

For the Year Ended September 30, 2009

4. Capital Assets, continued

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 49,237
Law enforcement	79,250
Physical environment	<u>106,273</u>
Total depreciation expense - Governmental Activities	<u>\$ 234,760</u>
Business-type activities:	
Water and sewer system	<u>\$ 134,848</u>

5. Long-term Debt

During the fiscal year ending September 30, 2003, the City modified the terms of its 1998 Series Bonds by decreasing the interest rate from 5.3% to 4.0%, and changing the maturity date from September 1, 2018, to September 1, 2012. The 1998 Series Bonds require semi-annual principal and interest payments.

The bonds are collateralized by the water revenues of the City’s Enterprise (Utility) Fund.

The future maturities of the Series 1998 revenue bond as of September 30 are as follows:

<u>Fiscal year ending</u>	<u>Amount</u>
2010	\$ 345,295
2011	345,295
2012	345,295
2013	<u>65,000</u>
Total debt service requirements	1,100,885
Less amount representing interest	<u>79,041</u>
Total bonds payable	<u>\$ 1,021,844</u>

6. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

For the Year Ended September 30, 2009

6. Deferred Compensation Plan, continued

The City operates the plan under GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. GASB Statement No. 32 was issued in response to a change in federal law that removes the assets in deferred compensation plans from the general creditors in the event of a government bankruptcy. Qualified deferred compensation plans must be held in a trust that meets the requirements of IRC Section 457(g). No financial statement presentation or note disclosure is required for a plan that meets the requirements of IRC Section 457(g). The City's plan meets the requirements of IRC Section 457(g) and has been correctly omitted from the current year's financial statements and note disclosures.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City continues to purchase workers compensation insurance through the Florida Municipal Insurance Trust. The City purchases property and liability insurance through the Preferred Government Insurance Trust. Retention of risks is limited to excess of those that are insured, those risks that are uninsurable, and deductibles ranging from \$500 to \$10,000 per occurrence.

As a member of each of the Insurance Trusts with the Florida League of Cities, the responsibility of the City is to pay those premiums charged by the non-assessable pool for property, liability and workers compensation coverages. The pool is responsible for paying all claims incurred by the City, less stop loss deductibles for general/professional and automobile liability coverage in the amounts of \$10,000 and \$2,500 respectively; and a deductible for property and allied insurance of \$500. The City may terminate the membership based on a 60 days notice to the pool. All pool policies are on an occurrence basis.

Major uninsurable risks include damage to infrastructure assets. Since the amount of loss cannot be reasonably estimated and the likelihood of occurrence is not determinable, no provision for losses is reflected in the financial statements. There were no settled claims that exceeded insurance coverage during the past three fiscal years.

8. Commitments and Contingencies

Insurance – The City insures against loss from damage, theft, litigation and other hazards and contingencies through the Florida Municipal Insurance Trust and the Preferred Government Insurance Trust, offered by the Florida League of Cities, Inc.

9. Other Disclosures

An ordinance of the City of Atlantis, Florida, authorized the creation of the Atlantis Safe Neighborhood Improvement District. This dependent special district has not had any revenues, expenses, assets or liabilities since it was formed on August 10, 1988.

For the Year Ended September 30, 2009

10. Interfund Transfers

Interfund transfers for the year ended September 30, 2009, consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Transfer for:			
Management fee income	\$ 100,000	\$ -	\$ 100,000
Management fee expense	-	(100,000)	(100,000)
	<u>\$ 100,000</u>	<u>\$(100,000)</u>	<u>\$ -</u>

For the Year Ended September 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 3,323,000	\$ 3,425,137	\$ 102,137
Licenses and permits	215,000	128,686	(86,314)
Intergovernmental revenue	449,500	343,955	(105,545)
Fines and forfeitures	80,000	68,120	(11,880)
Miscellaneous revenue	332,500	144,120	(188,380)
Total revenues	<u>4,400,000</u>	<u>4,110,018</u>	<u>(289,982)</u>
EXPENDITURES			
Current:			
General government:			
Legislative	57,000	57,000	-
Executive	312,400	288,930	23,470
Financial	12,000	12,250	(250)
Legal services	65,000	53,364	11,636
City clerk	100,900	91,201	9,699
Maintenance and supervision	122,300	111,668	10,632
Public safety:			
Law enforcement	2,430,800	2,293,771	137,029
Fire control	505,000	506,803	(1,803)
Protective inspections	100,600	72,009	28,591
Physical environment	648,000	643,828	4,172
Capital outlay/contingency	46,000	-	46,000
Total expenditures	<u>4,400,000</u>	<u>4,130,824</u>	<u>269,176</u>
Excess of expenditures over revenues	<u>\$ -</u>	<u>(20,806)</u>	<u>\$ (20,806)</u>
Fund balance, October 1, 2008		2,386,403	
Interfund Transfers		<u>100,000</u>	
Fund balance, September 30, 2009		<u>\$ 2,465,597</u>	

See accompanying notes to required supplementary information.

For the Year Ended September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
1/1/2005	\$ 1,213,323	\$ 1,170,676	\$ (42,647)	103.64%	\$ 125,285	-34.04%
10/1/2006	1,385,400	1,397,410	12,010	99.14%	129,922	9.24%
10/1/2008	1,490,391	1,516,393	26,002	98.29%	-	N/A

See accompanying notes to required supplementary information.

For the Year Ended September 30, 2009

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
9/30/2006	\$ 35,197	\$ 35,197	100.00%
9/30/2007	29,335	29,334	100.00%
9/30/2008	20,182	31,403	155.60%

See accompanying notes to required supplementary information.

For the Year Ended September 30, 2009**1. Additional Actuarial Information**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations performed by Foster & Foster, Inc. at the date indicated. Additional information as of the latest actuarial valuation:

Valuation date	October 1, 2008
Contribution Rates:	
Employer (and State)	N/A
Plan Members	N/A
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Remaining amortization period	30 years (as of 10/01/2006)
Asset valuation method	5 yr-smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	7.5%
Includes inflation at	4.0%
Post retirement COLA	3.0%

2. Annual Pension Cost and Net Pension Obligation

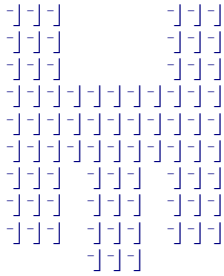
	<u>9/30/06</u>	<u>9/30/07</u>	<u>9/30/08</u>
A. Annual Required Contribution (ARC)*	\$ 35,197	\$ 29,335	\$ 20,182
B. Interest on Net Pension Obligation (NPO)	(18,391)	(21,535)	(25,029)
C. Adjustment to ARC	<u>(20,915)</u>	<u>(22,141)</u>	<u>(25,733)</u>
D. Annual Pension Cost	(4,109)	(14,341)	(30,580)
E. Actual Contributions	<u>(35,197)</u>	<u>(29,334)</u>	<u>(31,403)</u>
F. Increase (decrease) in NPO	(39,306)	(43,675)	(61,983)
G. NPO at beginning of year	<u>(229,884)</u>	<u>(269,190)</u>	<u>(312,865)</u>
H. NPO at end of year	<u>\$ (269,190)</u>	<u>\$ (312,865)</u>	<u>\$ (374,848)</u>

For the Year Ended September 30, 2009

2. Annual Pension Cost and Net Pension Obligation, continued

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2008	\$ 20,182	\$ 31,403	155.6%	\$ (374,848)
09/30/2007	29,335	29,334	100.0%	(312,865)
09/30/2006	35,197	35,197	100.0%	(269,190)



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Certified Public Accountants & Advisors

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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
City of Atlantis, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Atlantis, Florida, as of and for the year ended September 30, 2009, which collectively comprise the City of Atlantis, Florida's basic financial statements and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Atlantis, Florida'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 an opinion on the effectiveness of the City of Atlantis, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantis, Florida's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Atlantis, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Atlantis, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of Atlantis, Florida's internal control.

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

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

Compliance and Other Matters

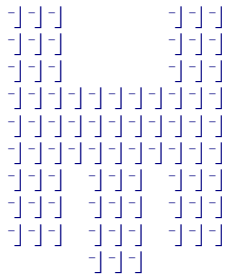
As part of obtaining reasonable assurance about whether City of Atlantis, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
January 11, 2010



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

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MANAGEMENT LETTER For the year ended September 30, 2009

To the Honorable Mayor and Members of the City Council
City of Atlantis, Florida

We have audited the financial statements of the City of Atlantis, Florida as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated January 11, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in this report, which is dated January 11, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule.

In connection with our audit and in compliance with the rules of the Auditor General, as specifically detailed in the following paragraphs of Section 10.554(1)(i):

1. There were no recommendations made with respect to the preceding annual financial audit report.
2. The City did comply with Section 218.415, Florida Statutes regarding the investment of public funds.
3. In accordance with Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit we had the following recommendations:
 - a. *Document Retention:* The City uses paperless document retention software. In the testing of disbursements management had difficulty providing select items from the software. It was determined that a hardware conflict existed. We recommend that original documents be retained for a period sufficient to allow access to documents as needed

- b. *Cash Receipts Number Sequence:* During our audit, we noted that there is no current policy to account for the sequence number of cash receipts during the cash receipt reconciliation. We recommend that the cash receipt be accounted for during the reconciliation process.
 - c. *Limit Access to Computer Software:* We noted during review of the accounting systems that employees had unlimited access to the accounting software. We recommend that management establish a hierarchy for granting access to certain functions. We recommend that software rights be granted to employees supporting the consideration of segregation of duties.
 - d. *Develop a Policies and Procedures Manual:* We recommend that the City have its employees document their individual job duties and establish a written policies and procedures manual. This will establish a document to assist employees in performing all functions in the event of an unplanned absence of one of the employees
 - e. *Establish of Policy for Credit Card Usage:* We encourage the City to write a formal policy regarding credit card usage.
 - f. *Approval of Payroll Summary Sheet:* During our discussions with management we became aware that although management was reviewing the payroll summary sheet, indications of review were not being made. We recommend that the initials and date indicating review be placed on the summary sheet. This will establish responsibility and timing of the approval. Similarly, the employee releasing and printing the payroll report needs to initial and date the printed reports before filing.
4. We did not discover any violation of laws, regulations, contracts, grant agreements, or abuse during the scope of our audit that have occurred that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.
5. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, we make the following responses:
- a. We did not discover any violation of laws, regulations, contracts, grant agreements, or abuse during the scope of our audit.
 - b. We did not discover any control deficiencies that are not significant deficiencies, including, but not limited to:
 - 1. Improper or inadequate accounting procedures.
 - 2. Failure to properly record financial transactions.
 - 3. Other inaccuracies, shortages, defalcations and instances of fraud.
6. The City of Atlantis, Florida, chartered on June 19, 1959, was formally established as an operating municipality by the State of Florida legislature under Chapter 59-1055 (House Bill 2187). There are no component units related to the entity.

7. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Atlantis, Florida for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Atlantis, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
 1. We applied financial condition assessment procedures pursuant to Rule 10.556(7).
 2. We did not observe deterioration of financial condition.

Notwithstanding the foregoing comments, it should be noted that our audit was not directed primarily toward obtaining knowledge of such violations.

This management letter is intended solely for the information of the City of Atlantis and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
January 11, 2010