

**CITY OF ATLANTIS, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended September 30, 2010**

**CITY COUNCIL**

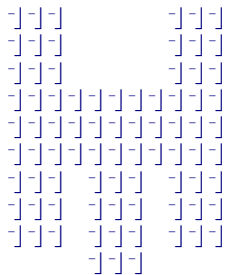
MICHAEL C. DAHLGREN ..... MAYOR - COUNCILMAN  
DAVID KINTZ..... VICE MAYOR - COUNCILMAN  
CATHERINE HIGGINS .....MAYOR PRO TEM - COUNCILWOMAN  
MANUEL A. FERNANDEZ.....TREASURER - COUNCILMAN  
FRED FURTADO .....ASSISTANT TREASURER - COUNCILMAN

**CITY MANAGER**

MO THORNTON

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	2-9
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11-12
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	13
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund .....	15
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	16
Statement of Fund Net Assets – Proprietary Fund .....	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund .....	18
Statement of Cash Flows – Proprietary Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to Basic Financial Statements .....	22-38
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule – General Fund .....	39
Schedule of Funding Progress – Police Officers' Pension Fund .....	40
Schedule of Employer and State Contributions – Police Officers' Pension Fund.....	41
Notes to Required Supplementary Information.....	42-43
<b>REQUIRED REPORTS</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44-45
<b>MANAGEMENT LETTER</b> .....	46-47



# Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • [www.holyfieldandthomas.com](http://www.holyfieldandthomas.com)

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of  
the City Council of the City of Atlantis, Florida  
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, 2010, 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 an opinion 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 City of Atlantis, Florida'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, 2010, 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 4, 2011, 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 39 through 43, 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 4, 2011

## **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, 2010. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net assets at September 30, 2010 were \$8.7 million. Of this amount, \$4.2 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Governmental net assets were \$4.9 million.
- The total revenues from all sources were \$5.5 million.
- The total cost of all City programs was \$5.4 million.
- In the government-wide financials, the City's governmental activity expenses exceeded revenues by \$121,000; for business-type activities revenues exceeded expenses by \$248,000.
- Total revenues in the general fund financial statements exceeded total expenditures by \$87,000, resulting in a 3.3% increase in fund balance.
- Total revenues in the proprietary fund financial statements exceeded total expenses by \$248,000, resulting in a 7.1% increase in fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,529,000, or approximately 63% 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 page 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 \$8.6 million in net assets at the close of the most recent fiscal year.

The largest portion of the City's net assets (51%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Another portion (49%) 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	\$ 2,902	\$ 3,112	\$ 6,014
Capital assets	<u>2,407</u>	<u>1,949</u>	<u>4,356</u>
Total assets	<u>\$ 5,309</u>	<u>\$ 5,061</u>	<u>\$ 10,370</u>
Liabilities:			
Long-term debt outstanding	\$ 222	\$ 714	\$ 936
Other liabilities	<u>151</u>	<u>625</u>	<u>776</u>
Total liabilities	<u>373</u>	<u>1,339</u>	<u>1,712</u>
Net Assets:			
Invested in capital assets, net of debt	2,407	1,235	3,642
Restricted	-	810	810
Unrestricted	<u>2,529</u>	<u>1,677</u>	<u>4,206</u>
Total net assets	<u>\$ 4,936</u>	<u>\$ 3,722</u>	<u>\$ 8,658</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 an increase of \$127,000 in the City's Government-wide net assets during the current fiscal year.

## Governmental Activities

Governmental activities decreased the City's net assets by \$121,000. 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	\$ 1,499	\$ 1,741
Operating grants and contributions	25	-	25
Capital grants and contributions	36	-	36
General revenues:			
Property taxes	2,751	-	2,751
Sales and use taxes	132	-	132
Franchise fees	467	-	467
Gas tax	92	-	92
Occupational licenses	82	-	82
Other taxes and shared revenues	59	-	59
Investment earnings	38	46	84
Fundraising and donations	31	-	31
Miscellaneous	31	-	31
Gain on disposal of assets	4	-	4
Interfund transfers	<u>100</u>	<u>(100)</u>	<u>-</u>
Total revenues	<u>4,090</u>	<u>1,445</u>	<u>5,535</u>
Expenses:			
Program expenses:			
General government	597	-	597
Law enforcement	2,343	-	2,343
Fire control	529	-	529
Protective inspections	88	-	88
Physical environment	654	-	654
Water and sewer utility	-	1,159	1,159
Interest on long-term debt	<u>-</u>	<u>38</u>	<u>38</u>
Total expenses	<u>4,211</u>	<u>1,197</u>	<u>5,408</u>
(Decrease) increase in net assets	(121)	248	127
Net assets – October 1, 2009	<u>5,057</u>	<u>3,474</u>	<u>8,531</u>
Net assets – September 30, 2010	<u>\$ 4,936</u>	<u>\$ 3,722</u>	<u>\$ 8,658</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	\$ 597	\$ 534
Public safety:		
Law enforcement	2,343	2,157
Fire control	529	529
Protective inspections	88	67
Physical environment	<u>653</u>	<u>619</u>
	<u>\$ 4,210</u>	<u>\$ 3,906</u>

The cost of all governmental activities this year was \$4.2 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) as of September 30, 2010, were \$3.7 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 \$1.5 million and investment income was \$46 thousand, leaving net revenue of \$248 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 \$2.8 million, an increase of \$87 thousand from the prior year. The ending fund balance is unassigned and available for spending at the government's discretion, except for \$28 thousand identified for prepaid expenses and \$300,000 assigned by the board 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 69% of total general fund expenditures.

In 2008, the State Board of Administration froze \$415,971 of the City's investment in the fund. The following table shows the maturities and changes to the estimated unrealized loss in Pool B.

<u>Fiscal Year Ending</u>	<u>Pool A Balance</u>	<u>Pool B Balance</u>	<u>Unrealized Loss in Pool</u>
September 30, 2008	\$ 121,934	\$ 130,105	\$ 26,232
September 30, 2009	14,932	107,541	48,484
September 30, 2010	39,361	83,186	24,369

## 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, 2010, amounts to \$4.4 million (net of accumulated depreciation).

### City of Atlantis Capital Assets (In Thousands)

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Land	\$ 241	\$ 132	\$ 373
Streets	4,552	-	4,552
Buildings and improvements	1,359	245	1,604
Improvements other than buildings	521	3,463	3,984
Furniture, fixtures and equipment	924	110	1,034
Parks	409	-	409
Vehicles	223	53	276
Other	<u>112</u>	<u>15</u>	<u>127</u>
Total assets	8,341	4,018	12,359
Less accumulated depreciation	<u>5,934</u>	<u>2,069</u>	<u>8,003</u>
Net Assets	<u>\$ 2,407</u>	<u>\$ 1,949</u>	<u>\$ 4,356</u>

Additional information on the City's capital assets can be found in Note 4 of this report.

### Debt

At the end of the current fiscal year, the City had total debt of \$714 thousand, all of which was in the proprietary 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 2010-2011, the City Council and management considered the current tax and real estate market. The City's taxable value fell again to \$402 million, bringing the total reduction in ad valorem value to 22% over a three year period. The millage rate set for 2010-2011 left the ad valorem tax revenue flat. Other shared revenue has stabilized. Economic news in late 2010 shows a continued weak economy. At the local level, spending continues to be restrained. Projections for 2011 property values remain weak. The City's values have been impacted by the macro economic factors, the high foreclosure rates, and the overall weak economy. However, analysis of individual properties shows a reduction in foreclosure activity of City properties. Some distressed properties have been sold and resold indicating an improving climate for real estate. City properties continue to be sought after by investors and home buyers. Other micro economic indicators such as delinquency of utilities customers have shown an improvement in 2010.

Projects for fiscal 2011 include road overlay and new windows for the Municipal Complex. The windows will be paid for with a \$71,000 Federal Stimulus Grant. An additional \$250,000 Energy Grant has been applied for and awarded as of the audit date, but not yet contracted for through the lead agency. During fiscal 2010, the City Council authorized the design of a new Master Lift Station. This station will be funded through the pending Energy Grant along with funds from other sources. The City is undertaking a look at the Renewal and Replacement need for the water and sewer utility beyond the Master Lift Station to develop a multi-year capital plan. Similar planning will take place in the General Fund. By planning for the future, the City will be in a position to perform needed projects as prosperity returns.

## **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, 2010*

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,430,893	\$ 188,102	\$ 1,618,995
Investments	1,424,401	1,899,994	3,324,395
Receivables, net	19,254	208,854	228,108
Supplies and prepaid expenses	27,633	5,000	32,633
Restricted assets:			
Cash and cash equivalents	-	809,738	809,738
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	520,844	3,461,961	3,982,805
Furniture, fixtures, and equipment	924,214	110,337	1,034,551
Park development	409,051	-	409,051
Vehicles	223,064	52,631	275,695
Other	111,651	16,429	128,080
Accumulated depreciation	(5,933,886)	(2,069,114)	(8,003,000)
Total assets	<u>\$ 5,309,519</u>	<u>\$ 5,061,036</u>	<u>\$ 10,370,555</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 78,278	\$ 231,021	\$ 309,299
Accrued interest payable	-	3,152	3,152
Deferred revenue	71,272	242,256	313,528
Deposits	1,400	93,116	94,516
Noncurrent liabilities:			
Benefits payable - vacation and sick leave	221,910	55,624	277,534
Revenue bond payable:			
Due within one year	-	319,887	319,887
Due in more than one year	-	394,493	394,493
Total liabilities	<u>372,860</u>	<u>1,339,549</u>	<u>1,712,409</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,407,338	1,234,968	3,642,306
Restricted for debt service and future utility expenses	-	809,738	809,738
Unrestricted	<u>2,529,321</u>	<u>1,676,781</u>	<u>4,206,102</u>
Total net assets	<u>4,936,659</u>	<u>3,721,487</u>	<u>8,658,146</u>
Total liabilities and net assets	<u>\$ 5,309,519</u>	<u>\$ 5,061,036</u>	<u>\$ 10,370,555</u>

See accompanying notes to financial statements.

CITY OF ATLANTIS, FLORIDA

*For the Year Ended September 30, 2010*

Function/Program Activities	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental activities:			
General government	\$ 597,307	\$ 63,564	\$ -
Public safety:			
Law enforcement	2,342,856	157,895	25,841
Fire control	529,043	-	-
Protective inspections	87,775	21,188	-
Physical environment	653,068	-	-
Total governmental activities	4,210,049	242,647	25,841
Business-type activities:			
Water and sewer utility	1,159,080	1,498,443	-
Interest on long term debt	37,830	-	-
Total business-type activities	1,196,910	1,498,443	-
Total primary government	\$ 5,406,959	\$ 1,741,090	\$ 25,841

General revenues:

Taxes:

  Property taxes

  Sales and use taxes

  Franchise fees

  Gas tax

  Occupational licenses

  Other taxes and shared revenues

Investment earnings

Fund raising 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**

Revenues	Net Revenue (Expense) and Change in Net Assets		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (533,743)	\$ -	\$ (533,743)
1,634	(2,157,486)	-	(2,157,486)
-	(529,043)	-	(529,043)
-	(66,587)	-	(66,587)
33,903	(619,165)	-	(619,165)
<u>35,537</u>	<u>(3,906,024)</u>	<u>-</u>	<u>(3,906,024)</u>
-	-	339,363	339,363
-	-	(37,830)	(37,830)
-	-	301,533	301,533
<u>\$ 35,537</u>	<u>(3,906,024)</u>	<u>301,533</u>	<u>(3,604,491)</u>
	2,750,619	-	2,750,619
	132,107	-	132,107
	466,730	-	466,730
	92,055	-	92,055
	81,691	-	81,691
	59,404	-	59,404
	37,753	46,275	84,028
	30,764	-	30,764
	30,675	-	30,675
	3,573	-	3,573
	100,000	(100,000)	-
	<u>3,785,371</u>	<u>(53,725)</u>	<u>3,731,646</u>
	(120,653)	247,808	127,155
	<u>5,057,312</u>	<u>3,473,679</u>	<u>8,530,991</u>
	<u>\$ 4,936,659</u>	<u>\$ 3,721,487</u>	<u>\$ 8,658,146</u>

*See accompanying notes to financial statements.*

*As of September 30, 2010*

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,430,893
Investments	1,424,401
Receivables, net	19,254
Supplies and prepaid expenses	27,633
Total assets	<u>\$ 2,902,181</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 78,278
Deferred revenue	71,272
Deposits	1,400
Total liabilities	<u>150,950</u>
Fund balance:	
Nonspendable:	
Supplies and prepaid items	27,633
Assigned to:	
Designated for technology	300,000
Unassigned	2,423,598
Total fund balance	<u>2,751,231</u>
Total liabilities and fund balance	<u>\$ 2,902,181</u>

*See accompanying notes to financial statements.*

*As of September 30, 2010*


---

Total governmental fund balances	\$ 2,751,231
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	8,341,224
Accumulated depreciation	(5,933,886)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term are reported in the statement of net assets.	
Benefits payable - vacation and sick leave	<u>(221,910)</u>
Total net assets	<u><u>\$ 4,936,659</u></u>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2010*

	General Fund
REVENUES	
Taxes	\$ 3,309,404
Licenses and permits	166,443
Intergovernmental revenue	375,083
Fines and forfeitures	35,701
Miscellaneous revenue	102,765
Interfund transfers	100,000
Total revenues	<u>4,089,396</u>
EXPENDITURES	
Current:	
General government:	
Legislative	57,000
Executive	245,357
Financial	12,750
Legal services	37,866
City clerk	82,086
Maintenance and supervision	106,824
Public safety:	
Law enforcement	2,258,251
Fire control	529,043
Protective inspections	87,775
Physical environment	585,165
Total expenditures	<u>4,002,117</u>
Net change in fund balance	87,279
Fund balance, October 1, 2009	<u>2,663,952</u>
Fund balance, September 30, 2010	<u><u>\$ 2,751,231</u></u>

*See accompanying notes to financial statements.*

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

***For the Year Ended September 30, 2010***

---

Net change in fund balances - total governmental funds	\$	87,279
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		37,008
Current year depreciation		(220,688)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term are reported in the statement of net assets.		
Benefits payable - vacation and sick leave		<u>(24,252)</u>
Change in net assets	\$	<u><u>(120,653)</u></u>

*See accompanying notes to financial statements.*

*As of September 30, 2010*

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 188,102
Restricted	809,738
Investments	1,899,994
Receivables, net	208,854
Supplies and prepaid expenses	<u>5,000</u>
Total current assets	3,111,688
Noncurrent assets:	
Capital assets	<u>1,949,348</u>
Total assets	<u><u>\$ 5,061,036</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 231,021
Interest payable	3,152
Deferred revenue	242,256
Deposits	93,116
Revenue bond payable - current	<u>319,887</u>
Total current liabilities	889,432
Noncurrent liabilities:	
Benefits payable - vacation and sick leave	55,624
Revenue bond payable - non-current	<u>394,493</u>
Total liabilities	<u>1,339,549</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,234,968
Restricted for debt service and future utility expense	809,738
Unrestricted	<u>1,676,781</u>
Total net assets	<u>3,721,487</u>
Total liabilities and net assets	<u><u>\$ 5,061,036</u></u>

See accompanying notes to financial statements.

*For the Year Ended September 30, 2010*

	Enterprise Fund
Operating revenues:	
Water income	\$ 815,199
Sewer income	647,314
Other operating income	35,930
Total operating revenues	<u>1,498,443</u>
Operating expenses:	
Water utility services	370,247
Sewer services	323,703
Water/sewer combination services	333,180
Depreciation	131,950
Total operating expenses	<u>1,159,080</u>
Operating income	<u>339,363</u>
Nonoperating revenues (expenses):	
Investment income	
Interest income	33,677
Realized and changes in unrealized gain	12,598
Interest expense	(37,830)
Interfund transfers	(100,000)
Total nonoperating revenues (expenses)	<u>(91,555)</u>
Change in net assets	247,808
Net assets, October 1, 2009	<u>3,473,679</u>
Net assets, September 30, 2010	<u><u>\$ 3,721,487</u></u>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2010*

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,433,920
Cash payments to suppliers for goods and services	(759,970)
Cash payments to employees for services	(182,445)
Other revenues	35,930
Net cash provided by operating activities	<u>527,435</u>
Cash flows from capital and related financing activities:	
Revenue bond principal payment	(307,464)
Interest paid on debt	(37,830)
Acquisition of capital assets	(18,882)
Interfund transfers	(100,000)
Net cash used by capital and related financing activities	<u>(464,176)</u>
Cash flows from investing activities:	
Interest received on investments	35,286
Purchase of investments	(1,590,510)
Proceeds from sale of investments	297,722
Net cash used in investing activities	<u>(1,257,502)</u>
Net change in cash and cash equivalents	(1,194,243)
Cash and cash equivalents, beginning of year	<u>2,192,083</u>
Cash and cash equivalents, end of year	<u>\$ 997,840</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 339,363
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	131,950
Change in assets and liabilities:	
Increase in receivable	(28,533)
Increase in accounts payable and accrued expenses	84,711
Decrease in deferred revenue	3,431
Decrease in deposits	(3,487)
Net cash provided by operating activities	<u>\$ 527,435</u>

*See accompanying notes to financial statements.*

*As of September 30, 2010*

---

	Pension Trust Fund
ASSETS	
Investments, at fair value:	
Cash and cash equivalents	\$ 87,042
Mutual funds	<u>1,169,944</u>
Total investments	1,256,986
Receivables:	
Employer contribution receivable	<u>-</u>
Total assets	1,256,986
LIABILITIES	<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 1,256,986</u></u>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2010*

	Pension Trust Fund
ADDITIONS	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	\$ 89,146
Interest and dividends	44,121
Total investment income	133,267
Contributions:	
City of Atlantis	21,526
Total additions	154,793
DEDUCTIONS	
Deductions from net assets attributed to:	
Benefits paid to participants	128,273
Administrative expenses	6,250
Total deductions	134,523
CHANGE IN NET ASSETS	20,270
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	1,236,716
End of year	\$ 1,256,986

*See accompanying notes to financial statements.*

***For the Year Ended September 30, 2010***

---

**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. 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.

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 activities) 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 reflects 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, 2010***

---

**1. Summary of Significant Accounting Policies, continued***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 accounting principles generally accepted in the United States of America 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 fund:

- 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. 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, 2010***

---

**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. Revenues are recognized when they are earned, and 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 or services 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, 2010***

---

**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 accounting principles generally accepted in the United States of America.
- 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, 2010.

***For the Year Ended September 30, 2010***

---

**1. Summary of Significant Accounting Policies, continued***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 (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 receivables that, if uncollected, would materially affect the financial statements. Furthermore, there is no provision for doubtful accounts.

*Vacation 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 current year 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.

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, 2010***

---

**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, 2010***

---

**1. Summary of Significant Accounting Policies, continued***Governmental Fund Balances*

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

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This included the Budget Reserve Account.
- Assigned - Amounts that are designated for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned - All amounts not included in other spendable classifications.

*Revenue Recognition - Property Taxes*

The City follows GASB Statement 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.

*Use of Restricted Resources*

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

*Pension Plan*

During the 2004-2005 fiscal year, a decision was made to offer 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.

***For the Year Ended September 30, 2010***

---

**1. Summary of Significant Accounting Policies, continued***Pension Plan, continued*

Also in that year, the police officers were given a period of time to opt out of the plan, take a lump sum payment, or join FRS. At that time two active officers elected to opt not to participate in the FRS. 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Deposits and Investments***Deposits*

All of the City's deposits are held in qualified public depositories pursuant to Florida State Statute, 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. As of the 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 as of September 30, 2010. 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.

***For the Year Ended September 30, 2010******2. Deposits and Investments, continued***

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)	\$ 1,410,056	\$ 18,549	\$ 2,288	\$ 1,430,893
Proprietary Fund (utility)				
Unrestricted	\$ 133,054	\$ 20,812	\$ 34,236	\$ 188,102
Restricted for:				
Renewal and replacement	50,000	-	-	50,000
Water capacity	361,263	-	-	351,263
Sewer capacity	63,063	-	-	78,420
Customer deposits and prepayments	335,412	-	-	335,412
Total restricted	809,738	-	-	809,738
Total Proprietary Fund	\$ 942,792	\$ 20,812	\$ 34,236	\$ 997,840
Pension trust (restricted)	\$ -	\$ -	\$ 87,042	\$ 87,042

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 GASB Statement 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, 2010, (the date of the most recent SBA financial statements) the ratio of amortized cost to fair value was 99.99%. 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, 2010), 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.

***For the Year Ended September 30, 2010***

**2. Deposits and Investments, continued**

*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.

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

Investments, net of accrued interest receivable of \$4,309 for the City and \$3,758 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	\$1,392,000	\$1,865,510	\$ -	\$1,392,000	\$1,865,510	\$ -
SBA Pool B	39,731	43,456		28,092	30,726	
Mutual funds	-	-	1,190,919	-	-	1,169,944
<b>Total</b>	<b>\$1,431,731</b>	<b>\$1,908,966</b>	<b>\$1,190,919</b>	<b>\$1,420,092</b>	<b>\$1,896,236</b>	<b>\$1,169,944</b>

***For the Year Ended September 30, 2010***

---

**2. Deposits and Investments, continued***Investments, continued*

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 \$39,361 of State Board of Administration (SBA) Fund A (LGIP) and \$83,187 and \$58,818, 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, 2010 is 52 days. The weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 years. As of September 30, 2010 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 \$24,369 on these investments and these investments compose only approximately 2% of the general government and utility's investments.

**3. Pension Plan**

The City has one single-employer pension plan as of September 30, 2010. 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.  |

***For the Year Ended September 30, 2010***

---

**3. Pension Plan, continued**

*Police Officers' Pension Fund, continued*

- 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

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	-
d) Total	<u>1,516,393</u>
2. Non-vested benefits	
	<u>-</u>
3. Total actuarial present value of accumulated plan benefits	<u><u>\$ 1,516,393</u></u>

***For the Year Ended September 30, 2010***

---

**3. Pension Plan, continued**

*Police Officers' Pension Fund, continued*

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 \$ 1,334,544

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.

**4. Capital Assets**

Capital assets activity for the year ended September 30, 2010, was as follows:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2010</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	<u>\$ 240,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,622</u>
Total non-depreciable assets	<u>240,622</u>	<u>-</u>	<u>-</u>	<u>240,622</u>

***For the Year Ended September 30, 2010*****4. Capital Assets, continued**

	Balance October 1, 2009	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2010
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	398,718	10,333	-	409,051
City entrances	365,497	12,000	-	377,497
Vehicles	267,083	-	(44,019)	223,064
Furniture and equipment	<u>914,865</u>	<u>14,675</u>	<u>(5,326)</u>	<u>924,214</u>
Total depreciable assets	<u>8,353,561</u>	<u>37,008</u>	<u>(49,345)</u>	<u>8,100,602</u>
Less accumulated depreciation	<u>(5,761,846)</u>	<u>(220,688)</u>	<u>48,648</u>	<u>(5,933,886)</u>
Governmental activities capital assets, net	<u>\$ 2,591,715</u>	<u>\$ (183,680)</u>	<u>\$ (697)</u>	<u>\$ 2,407,338</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	<u>\$ 132,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,000</u>
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	159,443	3,525	-	162,968
Construction in progress	<u>-</u>	<u>15,357</u>	<u>-</u>	<u>15,357</u>
Total depreciable assets	<u>3,867,580</u>	<u>18,882</u>	<u>-</u>	<u>3,886,462</u>
Less accumulated depreciation	<u>(1,937,165)</u>	<u>(131,950)</u>	<u>-</u>	<u>(2,069,114)</u>
Business-type activities capital assets, net	<u>\$ 2,062,415</u>	<u>\$ (113,067)</u>	<u>\$ -</u>	<u>\$ 1,949,348</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 47,584
Law enforcement	68,193
Physical environment	<u>104,911</u>
Total depreciation expense - Governmental Activities	<u>\$ 220,688</u>
Business-type activities:	
Water and sewer system	<u>\$ 131,950</u>

***For the Year Ended September 30, 2010***

**5. Noncurrent Liabilities**

*Benefit Payable – Vacation and Sick Accrual*

	Balance October 1, 2009	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2010
Benefit payable – vacation and sick accrual:				
General Fund	\$ 197,658	\$ 24,252	\$ -	\$ 221,910
Proprietary Fund - Utility	<u>46,894</u>	<u>8,730</u>	<u>-</u>	<u>55,624</u>
	<u>\$ 244,552</u>	<u>\$ 32,982</u>	<u>\$ -</u>	<u>\$ 277,534</u>

*Revenue Bond Payable*

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.

	Balance October 1, 2009	<u>Advances/ Additions</u>	<u>Payments/ Deletions</u>	Balance September 30, 2010
Revenue bond payable	<u>\$ 1,021,844</u>	<u>\$ -</u>	<u>\$ 307,464</u>	<u>\$ 714,380</u>

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

<u>Fiscal year ending</u>	<u>Amount</u>
2011	\$ 345,295
2012	345,295
2013	<u>65,000</u>
Total debt service requirements	755,590
Less amount representing interest	<u>41,210</u>
Total bonds payable	<u>\$ 714,380</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, 2010*

---

**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*. This statement 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, 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, 2010***

---

**10. Interfund Transfers**

Interfund transfers for the year ended September 30, 2010, 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>

**11. Subsequent Event**

*Date of Management Evaluation*

Management has evaluated subsequent events through January 4, 2011, the date on which the financial statements were available to be issued, and determined that there were no further disclosures required to be presented in these financial statements.

*City of Lake Worth Litigation*

In August 2010, the City of Lake Worth, Florida filed suit against various municipalities including the City of Atlantis, Florida and a Florida College. The City of Lake Worth’s complaint alleges that the municipalities and state college breached an agreement by failing to pay for services provided by the City of Lake Worth. The municipalities and college have defenses to this action and will pursue them as deemed necessary. The City of Lake Worth claims a maximum amount due of approximately \$13,600,000, of which the City of Atlantis would be responsible for 3.880%, or approximately \$528,000. At present, the parties are trying to negotiate a settlement through a dispute resolution process.

The City of Atlantis has accrued approximately \$410,000, to satisfy any settlement to this action, which is reflected in the statement of net assets.

*For the Year Ended September 30, 2010*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 3,325,000	\$ 3,309,404	\$ (15,596)
Licenses and permits	142,000	166,443	24,443
Intergovernmental revenue	315,000	375,083	60,083
Fines and forfeitures	80,000	35,701	(44,299)
Miscellaneous revenue	208,000	102,765	(105,235)
Total revenues	<u>4,070,000</u>	<u>3,989,396</u>	<u>(80,604)</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
Legislative	57,000	57,000	-
Executive	236,600	245,357	(8,757)
Financial	12,000	12,750	(750)
Legal services	55,000	37,866	17,134
City clerk	93,200	82,086	11,114
Maintenance and supervision	106,100	106,824	(724)
Public safety:			
Law enforcement	2,194,700	2,258,251	(63,551)
Fire control	507,000	529,043	(22,043)
Protective inspections	76,900	87,775	(10,875)
Physical environment	611,500	585,165	26,335
Capital outlay/contingency	120,000	-	120,000
Total expenditures	<u>4,070,000</u>	<u>4,002,117</u>	<u>67,883</u>
Excess of expenditures over revenues	<u>\$ -</u>	<u>(12,721)</u>	<u>\$ (12,721)</u>
Fund balance, October 1, 2009		2,663,952	
Interfund Transfers		<u>100,000</u>	
Fund balance, September 30, 2010		<u>\$ 2,751,231</u>	

*See accompanying notes to required supplementary information.*

*For the Year Ended September 30, 2010*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c</u>
01/01/2005	\$ 1,213,323	\$ 1,170,676	\$ (42,647)	103.64%	\$ 125,285	-34.04%
10/01/2006	1,385,400	1,397,410	12,010	99.14%	129,922	9.24%
10/01/2008	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, 2010*

---

<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, 2010****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**

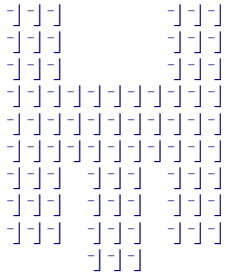
	September 30, 2006	September 30, 2007	September 30, 2008
A. Actuarially Determined Contribution (ADC)	\$ 35,197	\$ 29,335	\$ 20,182
B. Interest on Net Pension Obligation (NPO)	(15,533)	(15,362)	(15,328)
C. Adjustment to ADC	<u>17,665</u>	<u>15,794</u>	<u>15,759</u>
D. Annual Pension Cost	37,329	29,767	20,613
E. Actual Contributions	<u>(35,197)</u>	<u>(29,334)</u>	<u>(31,403)</u>
F. Increase (decrease) in NPO	2,32	433	(10,790)
G. NPO at beginning of year	<u>(194,162)</u>	<u>(192,030)</u>	<u>(191,597)</u>
H. NPO at end of year	<u>\$ (192,030)</u>	<u>\$ (191,597)</u>	<u>\$ (202,387)</u>

*For the Year Ended September 30, 2010*

---

**2. Annual Pension Cost and Net Pension Obligation, continued****TREND INFORMATION**

<u>Fiscal Year Ending September 30:</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Actual Contribution</u>	<u>Percentage of ADC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 20,182	\$ 31,403	155.6%	\$ (202,387)
2007	29,335	29,334	100.0%	(191,597)
2006	35,197	35,197	100.0%	(192,030)



# Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • [www.holyfieldandthomas.com](http://www.holyfieldandthomas.com)

## 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 of the City of Atlantis, Florida  
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, 2010, which collectively comprise the City of Atlantis, Florida's basic financial statements and have issued our report thereon dated January 4, 2011. 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 *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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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***

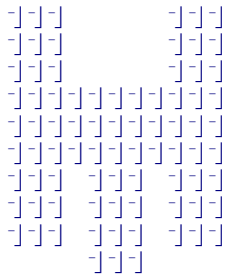
As part of obtaining reasonable assurance about whether City of Atlantis, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 4, 2011



# Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • [www.holyfieldandthomas.com](http://www.holyfieldandthomas.com)

## **MANAGEMENT LETTER For the year ended September 30, 2010**

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

We have audited the financial statements of the City of Atlantis (“The City”), Florida as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated January 4, 2011.

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 Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated January 4, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with 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. Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address finding and recommendations made in the preceding annual financial audit report
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that The City complied with Section 218.415, Florida Statutes.
3. 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 did not have any such findings.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have

any such findings.

5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. 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 for the fiscal year ended September 30, 2010, 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, 2010. 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 The City'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of 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 and Thomas, LLC*

West Palm Beach, Florida  
January 4, 2011