



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 10, 2003

Contact: Andy Nielsen
515/281-5515

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

The City's receipts totaled \$722,052 for the year ended June 30, 2002. The receipts included \$89,989 in property tax, \$237,327 from tax increment financing collections, \$95,230 from the state and \$9,562 in interest on investments. The City also received loan proceeds of \$115,000 that are reported as an other financing source.

Disbursements for the year totaled \$1,189,812, and included \$238,664 for community protection, \$49,793 for human development, \$839,163 for home and community environment and \$62,192 for policy and administration.

This report contains recommendations to the City Council and other City officials for improving internal controls. For example, the City should segregate accounting duties to the extent possible to ensure maximum control over receipts, disbursements, investments, long-term debt and payroll. To strengthen control over collections and to provide better financial information, the City should reconcile utility billings, collections and delinquent accounts and maintain and retain monthly utility receipt ledgers. Also, receipt and disbursement journals should be reconciled to monthly reports and to bank and investment accounts.

City officials have responded to each item in the report and stated that corrective action is being taken.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF ATKINS

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2002

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City of Atkins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Derrick Samson	Mayor	Jan 2002
John Carbaugh	Mayor Pro tem	Jan 2002
Eric Gilson	Council Member	Jan 2002
Ken Lieb	Council Member	Jan 2002
Connie Jacobsen	Council Member	Jan 2002
Shawn Steffen	Council Member	Jan 2002
Richard Lange	Clerk	Indefinite
John Fischer	Attorney	Indefinite
(After January 2002)		
Shawn Steffen	Mayor	Jan 2004
John Carbaugh	Mayor Pro tem	Jan 2004
Eric Gilson	Council Member	Jan 2004
Diane Herman	Council Member	Jan 2004
Ken Lieb	Council Member	Jan 2004
Connie Jacobsen	Council Member	Jan 2004
Richard Lange	Clerk	Indefinite
John Fischer	Attorney	Indefinite

City of Atkins



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Atkins, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Atkins' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Atkins as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2003 on our consideration of the City of Atkins' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the third paragraph, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 18, 2003

City of Atkins

Financial Statements

City of Atkins
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 89,989	-	-
Tax increment financing collections	-	237,327	-
Other city tax	4,210	-	-
Licenses and permits	1,566	-	-
Use of money and property	5,503	82	-
Intergovernmental	66,047	78,256	-
Charges for service	13,114	-	-
Miscellaneous	5,668	17,919	-
Total receipts	<u>186,097</u>	<u>333,584</u>	<u>-</u>
Disbursements:			
Community Protection Program	219,135	9,039	10,490
Human Development Program	49,793	-	-
Home and Community Environment Program	58,058	30,693	140,407
Policy and Administration Program	62,192	-	-
Total disbursements	<u>389,178</u>	<u>39,732</u>	<u>150,897</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(203,081)</u>	<u>293,852</u>	<u>(150,897)</u>
Other financing sources (uses):			
Bank loan proceeds	115,000	-	-
Sale of general fixed assets	29,757	-	-
Operating transfers in	-	-	150,897
Operating transfers out	-	(150,897)	-
Total other financing sources (uses)	<u>144,757</u>	<u>(150,897)</u>	<u>150,897</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(58,324)</u>	<u>142,955</u>	<u>-</u>
Balance beginning of year	<u>86,984</u>	<u>(61,795)</u>	<u>-</u>
Balance end of year	<u>\$ 28,660</u>	<u>81,160</u>	<u>-</u>

See notes to financial statements.

Proprietary Fund Type	Total (Memorandum Only)
Enterprise	
-	89,989
-	237,327
-	4,210
-	1,566
6,631	12,216
-	144,303
195,740	208,854
-	23,587
<u>202,371</u>	<u>722,052</u>
-	238,664
-	49,793
610,005	839,163
-	62,192
<u>610,005</u>	<u>1,189,812</u>
<u>(407,634)</u>	<u>(467,760)</u>
-	115,000
-	29,757
-	150,897
-	(150,897)
<u>-</u>	<u>144,757</u>
(407,634)	(323,003)
<u>494,464</u>	<u>519,653</u>
<u>86,830</u>	<u>196,650</u>

Exhibit B

City of Atkins

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)	Actual as % of Budget
Receipts:				
Property tax	\$ 89,989	90,019	(30)	100%
Tax increment financing collections	237,327	220,337	16,990	108%
Other city tax	4,210	4,271	(61)	99%
Licenses and permits	1,566	1,400	166	112%
Use of money and property	12,216	8,000	4,216	153%
Intergovernmental	144,303	125,840	18,463	115%
Charges for service	208,854	223,355	(14,501)	94%
Miscellaneous	23,587	35,600	(12,013)	66%
Total receipts	<u>722,052</u>	<u>708,822</u>	<u>13,230</u>	<u>102%</u>
Disbursements:				
Community Protection Program	238,664	164,345	(74,319)	145%
Human Development Program	49,793	44,206	(5,587)	113%
Home and Community Environment Program	839,163	440,068	(399,095)	191%
Policy and Administration Program	62,192	74,205	12,013	84%
Total disbursements	<u>1,189,812</u>	<u>722,824</u>	<u>(466,988)</u>	<u>165%</u>
Deficiency of receipts under disbursements	(467,760)	(14,002)		
Other financing sources, net	<u>144,757</u>	<u>90,000</u>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(323,003)	75,998		
Balance beginning of year	<u>519,653</u>	<u>61,077</u>		
Balance end of year	<u>\$ 196,650</u>	<u>137,075</u>		

See notes to financial statements.

City of Atkins

City of Atkins
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Fire station	Sep 8, 1992	4.90%	\$ 65,000
Water improvements	Mar 6, 1995	4.00-4.85	500,000
Sewer improvements	Oct 1, 1998	3.90-4.45	425,000
Sewer improvements	Aug 1, 1999	5.10-5.35	235,000
Total			
Revenue notes:			
Sewer	Mar 1, 2001	4.25-5.60%	\$ 1,125,000
Bank loan:			
Fire truck	Dec 3, 2001	5.75%	\$ 115,000
Real estate contract:			
Land	Dec 17, 1997	6.50%	\$ 56,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
10,000	-	10,000	-	490
330,000	-	50,000	280,000	15,297
385,000	-	20,000	365,000	16,183
235,000	-	10,000	225,000	12,240
<u>\$ 960,000</u>	<u>-</u>	<u>90,000</u>	<u>870,000</u>	<u>44,210</u>
<u>1,125,000</u>	<u>-</u>	<u>25,000</u>	<u>1,100,000</u>	<u>73,700</u>
<u>-</u>	<u>115,000</u>	<u>54,000</u>	<u>61,000</u>	<u>-</u>
<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>975</u>

City of Atkins

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The City of Atkins is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Atkins has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Atkins has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Fund Accounting

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 comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

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

D. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) Long-term Debt

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

General Obligation Notes:

Year Ending June 30,	<u>Water Improvements</u> <u>Issued Mar 6, 1995</u>		<u>Sewer Improvements</u> <u>Issued Oct, 1998</u>		<u>Sewer Improvements</u> <u>Issued Aug 1, 1999</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 50,000	13,097	25,000	15,382	15,000	11,730	90,000	40,209
2004	55,000	10,847	25,000	14,382	15,000	10,965	95,000	36,194
2005	55,000	8,317	25,000	13,382	15,000	10,200	95,000	31,899
2006	60,000	5,760	25,000	12,370	15,000	9,435	100,000	27,565
2007	60,000	2,910	30,000	11,357	15,000	8,670	105,000	22,937
2008	-	-	30,000	10,127	15,000	7,905	45,000	18,032
2009	-	-	30,000	8,882	15,000	7,140	45,000	16,022
2010	-	-	30,000	7,622	20,000	6,360	50,000	13,982
2011	-	-	35,000	6,347	20,000	5,310	55,000	11,657
2012	-	-	35,000	4,842	20,000	4,260	55,000	9,102
2013	-	-	35,000	3,320	20,000	3,200	55,000	6,520
2014	-	-	40,000	1,780	20,000	2,140	60,000	3,920
2015	-	-	-	-	20,000	1,070	20,000	1,070
Total	\$ 280,000	40,931	365,000	109,793	225,000	88,385	870,000	239,109

Revenue Notes:

Year Ending June 30,	<u>Sewer</u> <u>Issued Mar 1, 2001</u>	
	Principal	Interest
2003	\$ 35,000	57,897
2004	35,000	56,375
2005	40,000	54,817
2006	40,000	52,997
2007	45,000	51,137
2008	45,000	48,775
2009	50,000	46,412
2010	50,000	43,787
2011	55,000	41,137
2012	55,000	38,222
2013	60,000	35,307
2014	60,000	32,127
2015	65,000	28,947
2016	65,000	25,502
2017	70,000	22,025
2018	75,000	18,245
2019	80,000	14,157
2020	85,000	9,757
2021	90,000	5,040
Total	\$1,100,000	682,663

Sewer Revenue Notes

On March 1, 2001, the City entered into an agreement for the issuance of \$1,125,000 of sewer revenue notes with interest from 4.25% to 5.60% per annum. The notes were issued pursuant to the provisions of Sections 384.24A and 384.82 of the Code of Iowa for the purpose of paying costs of constructing improvements to the municipal sanitary sewer system.

The resolution providing for the issuance of the sewer revenue note includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a separate sewer revenue note reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.

Bank Loan

On December 3, 2001, the City entered into an agreement to borrow \$115,000 to purchase a fire truck. The loan requires interest of 5.75% per annum and was originally due June 3, 2002. The loan was extended to mature on March 5, 2003. The City paid principal of \$54,000 during the year ended June 30, 2002, leaving a principal balance of \$61,000 at June 30, 2002.

Real Estate Contract

On December 17, 1997, the City entered into a real estate contract to purchase 20 acres of land for \$56,000 with interest at 6.50% per annum. The final installment of \$15,000 plus interest of \$975 was paid during the year ended June 30, 2002.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$5,395, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Compensatory time is usually taken off and not paid out. The City's approximate liability for earned vacation payable to employees at June 30, 2002, primarily relating to the General Fund, totaled \$3,900. The liability has been computed based on rates of pay in effect at June 30, 2002.

(6) Risk Management

The City of Atkins is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in past fiscal years.

(7) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection, Human Development, and Home and Community Environment Programs exceeded the amounts budgeted.

(8) Construction Contract

During the year ended June 30, 2001, the City entered into a contract totaling \$956,079 for sewer lagoon construction. The City paid \$532,480 on this contract in the year ended June 30, 2001. During the year ended June 30, 2002, the City approved change orders for additions totaling \$8,357 and paid an additional \$383,734 on the contract. At June 30, 2002, \$48,222 remains unpaid and will be paid as work on the project progresses.

(9) Deficit Balances

At June 30, 2002, the Enterprise Fund, Sewer Rental Account had a deficit balance of \$68,007. The deficit will be eliminated by continued collections of customer utility charges and through rate increases, as necessary.

(10) Subsequent Events

On October 7, 2002, the City approved the purchase of materials and labor totaling \$27,070 to construct a building.

On February 3, 2003, the City authorized the purchase of street equipment for \$15,865.

On March 5, 2003, the City issued \$61,000 in general obligation notes to pay off the outstanding bank loan. The general obligation notes will be paid in 6 annual installments of \$8,700 and a final installment of \$8,800, plus interest at 4.50% per annum.

On April 21, 2003, the City accepted an Iowa Department of Transportation proposal for an asphalt overlay on Park Ridge Road from the end of Highway 279 to the south end of Main Avenue at an estimated cost of \$41,435.

Supplemental Information

Schedule 1

City of Atkins
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Receipts:	
Property tax	\$ 89,989
Other city tax:	
Utility tax replacement excise tax	4,210
Licenses and permit	1,566
Use of money and property:	
Interest on investments	2,849
Rent	2,654
	5,503
Intergovernmental:	
State allocation	10,789
Bank franchise tax	2,752
Enrich Iowa grant	1,202
County library allocation	5,100
Library open access	264
Township fire protection	18,973
Fire district donation for vehicle	25,000
Iowa Department of Natural Resources beautification program	1,967
	66,047
Charges for service:	
Landfill collections	13,114
Miscellaneous:	
Fines and fees	44
Donations	3,444
Refunds and reimbursements	2,180
	5,668
Total receipts	186,097
Disbursements:	
Community Protection Program:	
Police:	
Contractual services	9,360
Ambulance:	
Contractual services	852

City of Atkins
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements (continued):

Community Protection Program:

Fire:

Contractual services	23,584
Commodities	2,058
Capital outlay	118,530
Bank loan:	
Principal redeemed	54,000
	<u>198,172</u>

Street lighting

10,751
<u>219,135</u>

Human Development Program:

Park and recreation:

Personal services	6,573
Contractual services	1,720
Commodities	3,191
Capital outlay	3,846
	<u>15,330</u>

Library:

Personal services	21,381
Contractual services	4,738
Commodities	553
Capital outlay	7,791
	<u>34,463</u>
	<u>49,793</u>

Home and Community Environment Program:

Solid waste:

Personal services	3,968
Contractual services	17,199
	<u>21,167</u>

Street maintenance:

Personal services	18,927
Contractual services	3,528
Commodities	2,159
Capital outlay	12,277
	<u>36,891</u>
	<u>58,058</u>

Schedule 1

City of Atkins
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Disbursements (continued):	
Policy and Administration Program:	
Financial:	
Personal services	39,906
Contractual services	10,146
Commodities	2,018
Capital outlay	3,642
	<u>55,712</u>
Administration:	
Personal services	5,021
Capital outlay	784
	<u>5,805</u>
Engineer	675
	<u>62,192</u>
Total disbursements	<u>389,178</u>
Deficiency of receipts under disbursements	<u>(203,081)</u>
Other financing sources:	
Bank loan proceeds	115,000
Sale of general fixed assets	29,757
Total other financing sources	<u>144,757</u>
Deficiency of receipts and other financing sources under disbursements	(58,324)
Balance beginning of year	<u>86,984</u>
Balance end of year	<u>\$ 28,660</u>

See accompanying independent auditor's report.

City of Atkins
Combining Schedule of Cash Transactions
Special Revenue Fund
Year ended June 30, 2002

	Road Use Tax	Tax Increment Financing	Volunteer Fire Department	Total
Receipts:				
Tax increment financing collections	\$ -	237,327	-	237,327
Use of money and property:				
Interest on investments	-	-	82	82
Intergovernmental:				
Road use tax allocation	78,256	-	-	78,256
Miscellaneous:				
Contributions and donations	-	-	17,919	17,919
Total receipts	<u>78,256</u>	<u>237,327</u>	<u>18,001</u>	<u>333,584</u>
Disbursements:				
Community Protection Program:				
Contractual services	-	-	350	350
Commodities	-	-	7,077	7,077
Capital outlay	-	-	1,612	1,612
	<u>-</u>	<u>-</u>	<u>9,039</u>	<u>9,039</u>
Home and Community Environment Program:				
Street maintenance:				
Contractual services	7,567	-	-	7,567
Commodities	1,802	-	-	1,802
Capital outlay	7,341	13,983	-	21,324
	<u>16,710</u>	<u>13,983</u>	<u>-</u>	<u>30,693</u>
Total disbursements	<u>16,710</u>	<u>13,983</u>	<u>9,039</u>	<u>39,732</u>
Excess of receipts over disbursements	61,546	223,344	8,962	293,852
Other financing uses:				
Operating transfers out:				
Debt Service	-	(150,897)	-	(150,897)
Excess of receipts over disbursements and other financing uses	61,546	72,447	8,962	142,955
Balance beginning of year	<u>3,212</u>	<u>(67,052)</u>	<u>2,045</u>	<u>(61,795)</u>
Balance end of year	<u>\$ 64,758</u>	<u>5,395</u>	<u>11,007</u>	<u>81,160</u>

See accompanying independent auditor's report.

Schedule 3

City of Atkins
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

Receipts:		
None		<u>\$ -</u>
Disbursements:		
Community Protection Program:		
Principal redeemed	\$ 10,000	
Interest paid	<u>490</u>	10,490
Home and Community Environment Program:		
Principal redeemed	95,000	
Interest paid	44,695	
Administrative fees	<u>712</u>	<u>140,407</u>
Total disbursements		<u>150,897</u>
Deficiency of receipts under disbursements		(150,897)
Other financing sources:		
Operating transfers in:		
Special Revenue:		
Tax Increment Financing		<u>150,897</u>
Excess of receipts and other financing sources over disbursements		-
Balance beginning of year		<u>-</u>
Balance end of year		<u><u>\$ -</u></u>

See accompanying independent auditor's report.

City of Atkins

City of Atkins
Combining Schedule of Cash Transactions
Enterprise Fund
Year ended June 30, 2002

	Water	Sewer Rental	Sewer Revenue Note Sinking
Receipts:			
Use of money and property:			
Interest on investments	\$ -	6,631	-
Charges for service:			
Sale of water	54,400	-	-
Sewer rental fees	-	41,658	99,682
	<u>54,400</u>	<u>41,658</u>	<u>99,682</u>
Total receipts	<u>54,400</u>	<u>48,289</u>	<u>99,682</u>
Disbursements:			
Home and Community Environment Program:			
Personal services	13,622	11,558	-
Contractual services	16,858	9,576	-
Commodities	6,603	3,134	-
Capital outlay	8,776	441,178	-
Debt service:			
Principal redeemed	-	-	25,000
Interest paid	-	-	73,700
Total disbursements	<u>45,859</u>	<u>465,446</u>	<u>98,700</u>
Excess (deficiency) of receipts over (under) disbursements	8,541	(417,157)	982
Balance beginning of year	<u>363</u>	<u>359,134</u>	<u>38,467</u>
Balance end of year	<u>\$ 8,904</u>	<u>(58,023)</u>	<u>39,449</u>

See accompanying independent auditor's report.

Sewer Revenue Note Reserve	Total
-	6,631
-	54,400
-	141,340
-	195,740
-	202,371
-	25,180
-	26,434
-	9,737
-	449,954
-	25,000
-	73,700
-	610,005
-	(407,634)
96,500	494,464
96,500	86,830

City of Atkins
 Note Maturities
 June 30, 2002

Year Ending June 30,	General Obligation Notes							Total
	Water Improvements		Sewer Improvements		Sewer Improvements			
	Issued Mar 6, 1995		Issued Oct 1, 1998		Issued Aug 1, 1999			
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		
2003	4.50%	\$ 50,000	4.00%	\$ 25,000	5.10%	\$ 15,000	\$ 90,000	
2004	4.60	55,000	4.00	25,000	5.10	15,000	95,000	
2005	4.65	55,000	4.10	25,000	5.10	15,000	95,000	
2006	4.75	60,000	4.10	25,000	5.10	15,000	100,000	
2007	4.85	60,000	4.10	30,000	5.10	15,000	105,000	
2008	-	-	4.20	30,000	5.10	15,000	45,000	
2009	-	-	4.20	30,000	5.20	15,000	45,000	
2010	-	-	4.30	30,000	5.25	20,000	50,000	
2011	-	-	4.30	35,000	5.25	20,000	55,000	
2012	-	-	4.40	35,000	5.30	20,000	55,000	
2013	-	-	4.40	35,000	5.30	20,000	55,000	
2014	-	-	4.50	40,000	5.35	20,000	60,000	
2015	-	-	-	-	5.35	20,000	20,000	
2016	-	-	-	-	-	-	-	
2017	-	-	-	-	-	-	-	
2018	-	-	-	-	-	-	-	
2019	-	-	-	-	-	-	-	
2020	-	-	-	-	-	-	-	
2021	-	-	-	-	-	-	-	
Total		<u>\$ 280,000</u>		<u>\$ 365,000</u>		<u>\$ 225,000</u>	<u>\$ 870,000</u>	

See accompanying independent auditor's report.

Revenue Notes	
Sewer	
Issued Mar 1, 2001	
Interest	
Rate	Amount
4.35% \$	35,000
4.45	35,000
4.55	40,000
4.65	40,000
5.25	45,000
5.25	45,000
5.25	50,000
5.30	50,000
5.30	55,000
5.30	55,000
5.30	60,000
5.30	60,000
5.30	65,000
5.35	65,000
5.40	70,000
5.45	75,000
5.50	80,000
5.55	85,000
5.60	90,000
	<hr/>
	\$ 1,100,000
	<hr/> <hr/>

City of Atkins



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Atkins, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 18, 2003. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City of Atkins' operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atkins' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Atkins' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Atkins and other parties to whom the City of Atkins may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Atkins during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 18, 2003

City of Atkins
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) All general accounting functions and custody of assets.
- (2) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions, and handling and recording cash
- (3) Investments – investing, recording and custody.
- (4) Long-term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing and posting.
- (6) Utility receipts – billing, posting and reconciling.
- (7) Disbursements – purchasing, preparing, recording and reconciling.
- (8) Payroll – preparing and distributing.
- (9) Financial reporting – Preparing and reconciling.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The Mayor will become more involved with reviewing day-to-day operations.

Conclusion – Response accepted.

- (B) Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year ended June 30, 2002. In addition, delinquent account listings were not prepared and/or retained.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. Also, delinquent account listings should be generated monthly and retained. The Council should review the reconciliation and monitor delinquencies.

Response – Delinquent accounts will be reviewed monthly by the Council or Mayor. Reconciliations will be done beginning with July 2003.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

- (C) Monthly Financial Reports and Computer Records – The Clerk's financial reports did not reconcile to the computer printouts/spreadsheets, receipt and disbursement journals, subsidiary ledgers and bank accounts due to various posting and clerical errors.

Recommendation – The amount of cash in bank and investments should be reconciled to the accounting records monthly. One of the purposes of such a reconciliation is to determine whether the actual assets agree with the recorded accountability. Also, to provide better financial information and control and to assist in locating and correcting errors in a timely manner, the account ledger should be reconciled to the receipt and disbursement journals and computer printouts/spread sheets on a monthly basis.

Chapter 384.20 of the Code of Iowa states in part that a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.

Response – Spread sheets are being reworked to provide accurate information.

Conclusion – Response accepted.

- (D) Receipts – The City does not prepare receipts for collections.

Recommendation – For additional accountability over receipts and financial reporting, prenumbered receipts should be issued as collections are received.

Response – The City will begin using prenumbered receipts.

Conclusion – Response accepted.

- (E) Investment Records – Although copies of investment documents and interest stubs were maintained, the investment activity was not recorded in an investment record of any kind.

Recommendation – Investment records should be kept up-to-date and reconciled to the financial accounting records monthly.

Response – An investment journal will be kept.

Conclusion – Response accepted.

- (F) Disbursements – City checks are validated with only one signature, that of the City Clerk. Also, invoices and supporting documentation were not always properly marked paid with the date and check number to help avoid possible duplicate payment.

Recommendation – City checks should be prepared and signed by one individual and all invoices and supporting documentation should then be provided to an independent individual for review and countersignature on all City checks. All invoices or other supporting documentation should be cancelled with the date and check number to help avoid duplicate payments.

Response – The Mayor and Council will review procedures.

Conclusion – Response acknowledged. The countersigning and invoice cancellation procedures should be implemented to strengthen internal control.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

(G) Information System – The City does not have written policies for:

- (1) Computer time out and/or log off functions.
- (2) Logging off unattended computer terminals.
- (3) Use of a screen saver password.
- (4) Scanning diskettes for viruses.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its information system. A written disaster recovery plan should also be developed.

Response – Policies will be developed.

Conclusion – Response accepted.

(H) Records of Accounts – The Volunteer Fire Department maintains the accounting records pertaining to the operations of the Fire Department. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. One individual performs all accounting functions for the Volunteer Fire Department. Additionally, invoices and/or supporting documents were not available to support certain department disbursements.

Recommendation – Internal controls could be strengthened and operating efficiency could be increased by integrating the Atkins Volunteer Fire Department account receipts and disbursements with the City accounting records in the City Clerk's office. If this account is not combined with the Clerk's records, the Atkins Volunteer Fire Department should ensure duties are segregated to the extent possible and that invoices and supporting documents are available to support all department disbursements.

Response – The Department will register with the Secretary of State to distance themselves from the City.

Conclusion – Response acknowledged. Regardless of whether the Volunteer Fire Department remains a part of the City or is separately incorporated, duties should be segregated to strengthen internal control.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depository – The City Council named the local bank as the official depository. However, a maximum depository amount was not included in the resolution.

Recommendation – A written depository resolution, in sufficient amount(s), should be approved as required by Chapter 12C of the Code of Iowa.

Response – A resolution will be adopted.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection, Human Development and Home and Community Environment Programs. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – Better controls will be put in place to monitor the budget. Amended budgets will be done when necessary.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (5) Business Transactions – Business transactions between the City and City officials or employees are as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard Lange, City Clerk, Brother owns Atkins Lumber Company	Building materials and supplies	\$918

These transactions do not represent a conflict of interest in accordance with Chapter 362.5(11) of the Code of Iowa because the cumulative total during the fiscal year was less than \$2,500.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish summaries of receipts and summaries of disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa. The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Also, Library and Volunteer Fire Department minutes were not always signed.

Recommendation – The City should publish minutes and gross salaries. Also, Library and Volunteer Fire Department minutes should be signed to support approval of actions approved by the respective Boards.

Response – The Library Board and Fire Department have been notified to sign minutes. Salaries will be published. Receipt and disbursement summaries are now being published.

Conclusion – Response accepted.

- (8) Deposits and Investments – The City has not approved a written investment policy as required by Chapters 12B and 12C of the Code of Iowa.

Recommendation – The City should approve a written investment policy as required by Chapters 12B and 12C of the Code of Iowa.

Response – The City is working on an investment policy with the League of Cities.

Conclusion – Response accepted.

- (9) Revenue Notes – Although the City has established the required sewer revenue note sinking and reserve accounts, the sewer operation account had a deficit balance of \$58,023, which may be in violation of the sewer revenue note resolution.

Recommendation – The City should review the sewer deficit balance and return it to a sound financial balance.

Response – The City will review sewer rates and increase as necessary.

Conclusion – Response accepted.

- (10) Employee Benefits Levy and TIF Collections – The City recorded employee benefits tax levy collections in the General Fund during the year ended June 30, 2002. The City's disbursements for employee benefits exceeded the collections during the year ended June 30, 2002.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

Recommendation – Employee benefits tax levy collections should be credited to a separate Special Revenue Fund, Employee Benefits Account and disbursed directly from this fund/account for benefits for employees who are paid from the General Fund or the Road Use Tax account.

Response – A separate account will be set up to better monitor the collections and uses of the employee benefits tax levy.

Conclusion – Response accepted.

- (11) Water and Sewer Rates – The City could not provide a City ordinance establishing the water rates charged to customers. The City minutes record included the rates approved at the first and second readings of the ordinance hearings. However, the minimum rate was based on 2,500 gallons. The City's computer system is programmed with the minimum based on 2,700 gallons. As a result, the rates charged for water consumption are not supported by ordinance. Also, since the sewer rate is 80% of the water bill, the correct sewer rental charges may not have been charged to City customers. Chapter 384.84 of the Code of Iowa requires that utility rates be established by ordinance of the City Council.

Recommendation – The City should establish water rates in accordance with Chapter 384.84 of the Code of Iowa.

Response – The City will adjust its rates to comply with the existing ordinance.

Conclusion – Response accepted.

- (12) Utility Sales Tax – Sales tax was charged to businesses for water consumed. However, sales tax was not charged on the solid waste collection and disposal and sewer portion of the billings to non-residential commercial operations as is required by the Iowa Department of Revenue.

Recommendation – The City should uniformly assess sales tax on solid waste collection and disposal and sewer services provided to non-residential commercial operations in accordance with sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations. The City should consult legal counsel and the Iowa Department of Revenue to resolve this matter.

Response – Adjustment to the billing program will be made to ensure the correct sales tax is charged to commercial accounts.

Conclusion – Response accepted.

- (13) City Code of Ordinances – The City has not compiled the City ordinances since 1980.

Recommendation – Chapter 380.80 of the Code of Iowa states that at least once every five years, a city shall compile a code of ordinances containing all of the city ordinances in effect. The City should compile the city ordinances as required.

City of Atkins

Schedule of Findings

Year ended June 30, 2002

Response – The Council has reviewed the City Code. The City Attorney is compiling a new code.

Conclusion – Response accepted.

- (14) Capital Projects Fund – The City accounted for the sewer lagoon project in the Enterprise Fund, Sewer Account.

Recommendation – Separate capital project funds should be established to account for significant project costs and other financing sources.

Response – A separate fund will be established.

Conclusion – Response accepted.

City of Atkins

Staff

This audit was performed by:

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John G. Vanis, CGFM, Senior Auditor
Elvir Alicic, Assistant Auditor

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